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SUGAR SHORTAGE

HEARING

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BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

Congress.

SIXTY-SIXTH CONGRESS.

FIRST SESSION

PURSUANT TO

S. RES. 197

DIRECTING THE COMMITTEE ON AGRICULTURE AND FORESTRY TO INVESTIGATE THE SHORTAGE AND PRICES OF SUGAR IN THE UNITED STATES, AND SO FORTH

Printed for the use of the Committee on Agriculture and Forestry

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WASHINGTON
GOVERNMENT PRINTING OFFICE
1919

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SUGAR SHORTAGE.

FRIDAY, OCTOBER 3, 1919.

UNITED STATES SENATE,
SUBCOMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The subcommittee met, at 10.30 a. m. on the call of the chairman, Senator Charles L. McNary (chairman) presiding. Also present Senator Keyes and Senator Ransdell.

Senator MCNARY. This subcommittee is begining hearings this morning under the following resolution:

Resolved, That the Senate Committee on Agriculture and Forestry is hereby instructed to investigate the shortage of sugar and the price of sugar, in the United States, and that the Sugar Equalization Board is respectfully requested to cooperate with the Senate Committee on Agriculture and Forestry in this investigation.

Resolved further, That the Senate Committee on Agriculture and Forestry is directed to report to the Senate at the earliest possible time its conclusions, especially on the following:

(a) The reasons for the shortage of sugar.

(b) Information regarding the prices of sugar, and whether any unjust or exorbitant profits have been made on sugar, and if so by whom.

(c) The prospect for relief from the sugar shortage.

(d) Fixing the responsibility for the shortage of sugar.

(e) Advice as to whether legislation to prevent speculation in sugar is desirable.

(f) Whether the Sugar Equalization Board should be continued within its present capacity.

Senator MCNARY. Following the adoption of the foregoing resolution, Chairman Gronna of the Senate Committee on Agriculture and Forestry appointed Senators Keyes, Ransdell, and myself a subcommittee to investigate along the lines mentioned in the resolution.

Is Mr. Zabriskie here?

Mr. ZABRISKIE. Yes, sir.

Senator MCNARY. I thought, Mr. Zabriskie, as president of the United States Sugar Equalization Board (Inc.), you could give us an outline of the subject better than anyone else, and for that reason I asked you to be here this morning. And I want to take this opportunity to thank you for responding so promptly to my message.

If you will state your name in full, and your connection with the board, you may proceed with your statement.

STATEMENT OF MR. GEORGE A. ZABRISKIE, PRESIDENT UNITED STATES SUGAR EQUALIZATION BOARD (INC.), 111 WALL STREET, NEW YORK CITY.

Senator MCNARY. I assume, Mr. Zabriskie, that the proper and logical way would be for you to make such statements as you think pertinent to the inquiry, and later on such questions will be propounded to you as may occur to the members of the subcommittee.

Mr. ZABRISKIE. First, Mr. Chairman, I would like to emphasize the fact that there has not been so much a shortage of sugar in this country as there has been an abnormal demand for it. Since the United States Sugar Equalization Board purchased two-thirds of the Cuban sugar crop it allowed for the use of the United States, consumers here, as much sugar as we would normally require, and something over.

Senator RANSDELL. How much is that? Will you state as you go along? How much do you allow for consumption in the United States normally, or, at least, would be required normally?

Mr. ZABRISKIE. We normally would use about 80 pounds per capita, or about 4,000,000 tons. We have used in the United States during the first nine months of this year more than 300,000 tons in excess of the largest consumption we have ever had in the same time. And the amount over last year is something like 500,000 tons. We have available for use in the United States from the first of September to the first of the year, some 200,000 tons more than has ever been used in the same period of four months.

Senator RANSDELL. For consumption do you mean?

Mr. ZABRISKIE. For domestic consumption, yes sir.

Senator RANSDELL. And in spite of that fact there seems to be a shortage of sugar?

Mr. ZABRISKIE. In spite of the fact there is an excess demand, or you might call it a shortage.

Senator MCNARY. Now, Mr. Zabriskie, I think in order to get a proper start you should state when this board was organized and what its activities have been since that time.

Mr. ZABRISKIE. This board originated with the Food Administration. A scarcity of sugar became very apparent a year ago and more and Mr. Hoover recommended to the President that we secure the Cuban crop in order to insure to the American consumers a regular supply of sugar at a reasonable price. The United States Sugar Equalization Board, (Inc.,) was formed, with a capital of $5,000,000, on July 18, 1918. We then proceeded to purchase that crop; first arranging with the beet sugar producers and the Louisiana cane sugar producers, and ascertaining from them at about what price they could afford to sell their product to the American public and get out whole. After that price was made, and it was decided that nine cents a pound wholesale should be the basic price, we then purchased.

Senator RANSDELL. That is for refined sugar?

Mr. ZABRISKIE. Yes, sir; 9 cents a pound wholesale for refined sugar.

We then purchased the Cuban crop, purchasing it on as cheap a basis as we could. The price paid was $5.50 a hundred pounds at the northern ports of Cuba and $5.40 a hundred pounds at the southern ports of Cuba. After exacting that the refiners—or finding out what the refiners could properly refine sugar for and giving them an equitable amount, which was 1.54 cents per pound, it allowed the sale of sugar on the part of the refiners at 9 cents a pound with 38 cents to come to the equalization board—which was provided in order that there might be the same price throughout the country. We reserved that 38 cents to take care of any expenses that might come later on, as, for instance, now; to absorb any losses that might occur, in secur-

ing an equalized price. We have, in this time of inequitable distribution or shortage, taken some 40,000,000 pounds of sugar from the Government, at various points, where they had an excess supply, and distributed it to points in the United States where the supply was short, and absorbed the freight difference. We have also purchased some 200,000 bags from one beet sugar manufacturer on the west coast, purchasing at 9 cents a pound and selling that in Chicago and points in the Middle West at the same price—absorbing the freight difference, which was in most cases about 70 cents a hundred pounds.

The idea of the equalization board is to hold prices down to the American consumer first; and secondly, to see that the American consumers get an equitable distribution of sugar sufficient for their ordinary wants at a uniform price.

Senator RANSDELL. Your board was organized where? I understand it was incorporated.

Mr. ZABRISKIE. Under the laws of the State of Delaware. It might be well at this point to make a statement as to the assignment to the British royal commission on sugar supply. We purchased the whole crop of Cuba, which was estimated then to be 4,000,000 tons. One-third of that was to go to the British royal commission on sugar supply, for Great Britain, France, and Italy, and the other two-thirds for our normal requirements.

Senator RANSDELL. Will not you particularize a little bit there so that we will understand that situation in regard to the purchase of Cuban sugar.

You say you paid $5.50 a hundred pounds for a portion of the sugar and $5.45 for the other portion. That was for the crude or raw sugar, was it?

Mr. ZABRISKIE. Yes, sir; for the raw sugar.

Senator RANSDELL. For which you paid $5.50 a hundred pounds for some of it and $5.45 a hundred pounds for the balance of it?

Mr. ZABRISKIE. Yes, sir.

Mr. RANSDELL. What did it cost to get that sugar to the United States?

Mr. ZABRISKIE. The freight was 38½ cents per hundred pounds, and the insurance was about one-half a cent a hundred pounds. Do you want me to bring this down to the 9 cents?

Senator RANSDELL. Yes, sir.

Mr. ZABRISKIE. Then there was $1 for duty, and $1.54 expense of refining, and 38 cents that was left with the equalization board.

Senator MCNARY. That may not be quite clear when this record is read, when you say "point 38 cents." Please explain that.

Mr. ZABRISKIE. Thirty-eight cents a hundred pounds.

Senator RANSDELL. Why was the 38 cents a hundred pounds allowed?

Mr. ZABRISKIE. Because in order to establish a uniform price throughout the country, if we did not take that we could not take care of any losses or inequalities and a uniform price would not be reflected to the consumer.

Mr. GLASGOW. Is not it a fact that if you did not take that 38 cents a hundred pounds for the United States Sugar Equalization Board, the Cuban raw sugar when refined would undersell the beet and Louisiana cane, which was selling at 9 cents?

Mr. ZABRISKIE. Yes, sir. It would do one of two things: (1) Undersell the Louisiana cane or beet sugar, or (2) there would be an undue profit to the refiner or to the Cuban sugar producer.

Senator RANSDELL. Was not it necessary for you to have this understanding in order for you to make an amicable arrangement with the beet and Louisiana cane producers?

Mr. ZABRISKIE. Yes, sir; we did have that amicable understanding and that developed the 9-cent price.

Senator RANSDELL. And that is why you had to add on 38 cents per hundred pounds for the equalization board?

Mr. ZABRISKIE. Yes, sir.

Senator RANSDELL. If it had not been for that you could not have made an amicable agreement, in all possibility.

Mr. ZABRISKIE. We could not.

Senator MCNARY. That 38 cents a hundred pounds out of the $9 you mentioned is retained by this corporation?

Mr. ZABRISKIE. Yes; by the United States Sugar Equalization Board (Inc.).

Mr. GLASGOW. Mr. Zabriskie, you might state to the subcommittee who is the stockholder of that corporation owning the entire issue of stock. It is the United States, isn't it?

Mr. ZABRISKIE. Yes, sir; it is the United States.

Mr. GLASGOW. And held for the United States?

Mr. ZABRISKIE. Yes, sir.

Senator RANSDELL. The entire $5,000,000 of stock was subscribed by the United States.

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. Mr. Chairman, may I ask a question or two of Mr. Zabriskie, in order to make this matter entirely clear?

Senator MCNARY. Certainly.

Mr. GLASGOW. In arriving at what was a fair price, and arranging with the Louisiana and beet-sugar producers for a price which would be 9 cents a pound, was any investigation made as to the cost of production of beet sugar and cane sugar in arriving at that conclusion?

Mr. ZABRISKIE. Absolutely. Committees were established in various States, and various producers were examined. I think that is all a part of the records of Congress.

Mr. GLASGOW. Yes; but it is a fact that they made a full investigation through committees in each territory—where the beet was produced—as to the cost of producing beets; and in Louisiana as to the cost of producing cane, in arriving at what was an amicable price, as referred to by Senator Ransdell of 9 cents for refined sugar as the basis. Is that correct?

Mr. ZABRISKIE. Absolutely.

Mr. GLASGOW. And the purpose of that price of 9 cents, and in arriving at that was twofold, was it not, to establish a uniform price, and, at the same time, what was thought to be a stimulative price in order to get more sugar?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. The tariff commission also made an investigation of cost, headed by Dr. Taussig. That is true, isn't it?

Mr. ZABRISKIE. Yes, sir.

Senator McNARY. Judge Glasgow, you were the attorney for the Food Administration during the operations of this board, were you not?

Mr. GLASGOW. Yes, sir.

Senator McNARY. You are more conversant with the general workings of this board, and I think it would be proper for you to go ahead and examine Mr. Zabriskie, if you wish to do so.

Mr. GLASGOW. Thank you, Mr. Chairman. I think, if agreeable to Mr. Zabriskie, that might be a good way to proceed.

Mr. ZABRISKIE. I would be very glad to have that procedure followed.

Senator RANSDELL. In order that the record may show, I wish, Mr. Glasgow, that you would give your full name and address.

Mr. GLASGOW. William A. Glasgow, Philadelphia, Pa.

Senator RANSDELL. And your connection with the Food Administration?

Mr. GLASGOW. I came to Washington in January, 1918, at the request of Mr. Hoover, as chief counsel for the Food Administration, and I remained here until the activities of the Food Administration were at an end. When the United States Sugar Equalization Board (Inc.), was organized, it was through my department of the Food Administration, and I became counsel for it and have been associated with Mr. Zabriskie and the other members of the board, myself being a member of the board up to this time.

Senator McNARY. Judge Glasgow, you may proceed to interrogate Mr. Zabriskie.

Mr. GLASGOW. Now, Mr. Zabriskie, having fixed or agreed upon a basic price of 9 cents a pound for refined sugar with the beet-sugar producers and the Louisiana cane-sugar producers, then, as I understand, you purchased the entire Cuban crop at $5.50 a hundred pounds under an agreement with the Cubans?

Mr. ZABRISKIE. Yes, sir; at $5.50 and $5.45 a hundred pounds.

Mr. GLASGOW. And then, upon the same basis that you had purchased from Cuba, you sold one-third of that stock to the British royal commission on sugar supply?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. At the same price?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. Retaining two-thirds for consumption in the United States?

Mr. ZABRISKIE. We did.

Mr. GLASGOW. Can you tell us what proportion of the consumption in the United States normally comes from Cuba?

Mr. ZABRISKIE. We normally would get about that amount.

Mr. GLASGOW. And it would be about 48 per cent of the consumption?

Mr. ZABRISKIE. That is about 48 or 50 per cent of the consumption.

Mr. GLASGOW. That being the rate, after which you had to pay freight, and tariff duties, and insurance?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. Then you made an agreement with all of the refiners of cane sugar in the United States, or in which they all united, that

you would supply them with their demands for cane-sugar refining at the price of 7.28 cents per pound, did you not?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And then the 7.28 cents per pound you also limited by the agreement that their profit in refining would be what figure?

Mr. ZABRISKIE. To 1.54 cents a pound.

Mr. GLASGOW. That is 1.54 cents plus 7.28 cents?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And the 1.54 cents a pound was what?

Mr. ZABRISKIE. That is the refiners' profit or toll for refining raw sugar.

Mr. GLASGOW. The 1.54 cents plus 7.28 cents per pound at which you sold the raw sugar to the refiners, taking into consideration the discounts, makes the basic price of 9 cents a pound?

Mr. ZABRISKIE. It does.

Mr. GLASGOW. But, in the 7.28 cents per pound there is a profit of 38 cents per hundred pounds which goes into the treasury of the United States Sugar Equalization Board and is held for the United States; is that correct?

Mr. ZABRISKIE. Yes, sir.

Senator MCNARY. Is the what is called 2 per cent deducted out of the 9 cents?

Mr. ZABRISKIE. No, sir. The 2 per cent is the amount between the 7.28 cents and the selling price of 9 cents, and, of course, the 1.54 cents.

Senator MCNARY. I have some data in which you agreed that refined sugar should be sold at 9 cents less 2 per cent f. o. b. refinery.

Mr. ZABRISKIE. That is correct.

Mr. GLASGOW. That is 2 per cent plus 7.28 cents plus 1.54 cents?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. If you had not made any arrangement of this kind and if refined sugar had been sold at 9 cents, basic price, without the intervention of the Sugar Equalization Board, where would that .38 cent have gone which the Sugar Equalization Board takes?

Mr. ZABRISKIE. It must have gone to the refiner or to the Cuban producer.

Mr. GLASGOW. But the result is that it goes into the treasury of the United States eventually?

Mr. ZABRISKIE. It does.

Mr. GLASGOW. Now, Mr. Chairman and gentlemen of the committee, we have here all of the agreements if you should want them filed at any time.

Senator MCNARY. I think they should go into the record. You may insert them at this time.

(The agreements referred to are here printed in full in the record as follows:)

CERTIFICATE OF INCORPORATION OF UNITED STATES SUGAR EQUALIZATION BOARD (INC.)

First. The name of this corporation is United States Sugar Equalization Board (Inc.).

Second. The location of its principal office in the State of Delaware is in the city of Wilmington, county of New Castle. The name of the resident agent

therein and in charge thereof is the Delaware Charter Co. The street and number of said principal office and the address by street and number of said resident agent is 900-904 Market Street.

Third. The objects and purposes for which and for any of which this corporation is formed are to do any or all of the things herein set forth to the same extent as natural persons might or could do, viz: To purchase, or otherwise acquire, manufacture, sell or otherwise dispose of, store, handle, and otherwise deal in and with raw and refined cane and beet sugar, sirups, molasses and other commodities, and to do all acts and things necessary expedient or incidental to the efficient conduct of said business within or without the State of Delaware.

To exercise all powers which may be delegated to it by the President of the United States.

The foregoing clauses shall be construed both as objects and powers; and it is hereby expressly provided that the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of this corporation.

In general, to have and to exercise all the powers conferred by the laws of Delaware upon corporations formed under the act hereinafter referred to.

Fourth. The total authorized capital stock of this corporation is $5,000,000, divided into 50,000 shares of $100 each.

The amount of capital stock with which this corporation will commerce business is the sum of $1,000, being 10 shares of $100 each.

Fifth. The names and places of residence of each of the original subscribers to the capital stock and the number of shares subscribed for by each are as follows:

Name	Residence.	Number of shares.
George M. Rolph	San Francisco, Calif	4
Theodore F. Whitmarsh	New York, N. Y	3
George A. Zabris'kie	do	3

Sixth. This corporation is not to have perpetual existence. Its existence is to commerce on the 15th day of July, 1918, and is to cease on the 14th day of July, 1923, unless it is sooner dissolved in the manner provided by law.

Seventh. The property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

Eighth. The directors of this corporation shall hold office for one year from the date of their election and until their successors are elected and qualified, unless sooner removed. The holder or holders of two-thirds of the outstanding capital stock may call a special meeting of stockholders at any time, upon mailing notice to the other stockholders of the time and place of said meeting, three days prior to said appointed time, which notice may be waived by unanimous consent, or by the presence of all stockholders at said special meeting; and the stockholders present may by a majoriy vote remove any director or directors from office and elect a successor or successors to hold office for the remainder of the unexpired term.

In furtherance, and not in limitation, of the powers conferred by statute, the board of directors are expressely authorized to make, alter, amend, and rescind the by-laws of this corporation, and to authorize and cause to be executed mortgages and liens upon the personal property of this corporation, and to authorize the borrowing of such sums of money from time to time, and the making and execution of such notes, mortgages, pledges, and liens on the personal property of this corporation, as they may deem advisable.

This corporation reserves the right to amend, alter, change, or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

We, the undersigned, being each of the original subscribers to the capital stock hereinbefore named for the purpose of forming a corporation to do business both within and without the State of Delaware, and in pursuance of any act of the Legislature of the State of Delaware entitled "An act providing a general corporation law" (approved March 10, 1889) and the acts amendatory thereof and supplemental thereto, do make and file this certificate, hereby

declaring and certifying that the facts herein stated are true, and do respectively agree to take the number of shares of stock hereinbefore set forth, and accordingly have hereunto set our hands and seals this — day of July, 1918.

——— ———. [SEAL.]
——— ———. [SEAL.]
——— ———. [SEAL.]

In presence of—
——— ———

UNITED STATES OF AMERICA,
District of Columbia, ss:

Be it remembered that this ———, 1918, personally came before me, a notary public for the District of Columbia, parties to the foregoing certificate of incorporation, known to me personally to be such, and severally acknowledge the said certificate to be the act and deed of the signers, respectively, and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

[SEAL.] ——— ———,
Notary Public, District of Columbia.

BY-LAWS OF UNITED STATES SUGAR EQUALIZATION BOARD (INC.).

OFFICES.

1. The principal office shall be in the city of Wilmington, county of New Castle, State of Delaware, and the name of the agent in charge thereof shall by the Delaware Charter Co.

The corporation may also have an office in the city of Washington, District of Columbia, and also offices at such other places as the board of directors may from time to time appoint or the business of the corporation may require.

SEAL.

2. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization, and the words "Corporate seal, Delaware."

STOCKHOLDERS' MEETINGS.

3. All meetings of the stockholders shall be held at the office of the corporation in the city of Washington, D. C.

4. The annual meeting of stockholders, after the year 1918, shall be held on the first Monday of June in each year, at 11 o'clock a. m. The fiscal year of corporation shall be coincident with the calendar year.

5. The holders of a majority of the stock issued and outstanding, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by law, by the certificate of incorporation, or by these by-laws. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until the requisite amount of stock shall be present. At such adjourned meeting at which the requisite amount of stock shall be represented any business may be transacted which might have been transacted at the meeting as originally notified.

6. No share of stock shall be voted on at any election which has been transferred on the books of the corporation within 20 days next preceding such election. The vote for directors and upon the demand of any stockholder the vote upon any question before the meeting shall be by ballot. All elections shall be had and all questions decided by a plurality vote.

7. Written notice of the annual meeting shall be mailed to each stockholder at such address as appears on the stock book of the corporation, at least 10 days prior to the meeting.

8. Special meetings of the stockholders may be called by the president, or by the holder or holders of two-thirds of the outstanding capital stock at any time upon mailing notice to the other stockholders of the time and place of said

meeting three days prior to said appointed time, which notice may be waived by unanimous consent, or by the presence of all stockholders at said special meeting. Any business may be transacted at said meeting.

DIRECTORS.

9. The property and business of the corporation shall be managed by its board of directors, seven in number. They shall be elected by the stockholders at the annual meeting of stockholders of the corporation, and each director shall be elected to service for the terms of one year and until his successor shall be elected and shall qualify, unless sooner removed. The stockholders shall have the right to remove any director from office in the manner provided in the certificate of incorporation.

10. The directors may hold their meetings and have one or more offices, and keep the books of the corporation, except the original or duplicate stock ledger, outside of Delaware, at the office of the corporation in the city of Washington, or at such places as they may from time to time determine.

11. In addition to the powers and authorities by these by-laws and the certificate of incorporation expressly conferred upon them the board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETING OF THE BOARD.

12. The newly elected board may meet at such place and time as shall be fixed by the vote of the stockholders at the annual meeting, for the purpose of organization and otherwise, and no notice of such meeting shall be necessary to the newly elected directors in order to legally constitute the meeting, provided a majority of the whole board shall be present, or such place and time may be fixed by the consent in writing of all the directors.

13. Regular meetings of the board may be held without notice at such time and place as shall from time to time be determined by the board.

14. At all meetings of the board a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business.

15. Special meetings of the board may be called by the president on two days' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of two directors.

16. Directors shall not receive any compensation for their services as directors or members of committees.

17. The officers of the corporation shall be a chairman of the board, a president, one or more vice presidents, a secretary, a treasurer, and a general counsel. Any two of the aforesaid offices, except those of president and vice president, may be filled by the same person.

18. The board of directors, at its first meeting after each annual meeting of stockholders, shall elect by ballot a chairman of the board and a president from their own number, and that the board shall also annually choose one vice president, and as many second vice presidents as it sees fit, a secretary, a treasurer, and a general counsel, who need not be members of the board.

19. The board may appoint such other officers and agents as it shall deem necessary, who shall have such authority and shall perform such duties as from time to time shall be prescribed by the board.

20. The officers of the corporation shall hold office for one year and until their successors are chosen and qualify in their stead. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. No officer of the corporation should be entitled to any compensation for services rendered to the corporation unless such compensation shall have been fixed resolution of the board of directors or of the executive committee.

EXECUTIVE COMMITTEE.

21. There may be an executive committee of three directors appointed by the board is not in session. Vacancies in the membership of the committee shall own number. The board may delegate to such committee authority to exercise

any or all the powers of the board, excepting power to amend the by-laws, while the board is not in session. Vacancies in the membership of the committee shall be filled by the board of directors at a regular meeting or at a special meeting called for that purpose.

22. The executive committee shall keep regular minutes of its proceedings and report the same to the board when required.

23. The officers of the company shall have such powers and duties as generally pertain to their offices, respectively, as well as such powers and duties as shall from time to time be conferred upon them by the board of directors or the executive committee.

24. The treasurer shall give the corporation a bond in a sum to be fixed by the board of directors, and with one or more sureties satisfactory to the board, and the faithful performance of the duties of his office, and for the restoration to the corporation in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in his possession or under his control belonging to the corporation.

VACANCIES.

25. If the office of any director, or of the president, vice president, secretary, or treasurer or other officer or agent, one or more, becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the directors then in office, although less than a quorum, by a majority vote, may choose a successor or successors, who shall hold office for the unexpired term in respect of which such vacancy occurred, except as otherwise provided in the certificate of incorporation and these by-laws.

DUTIES OF OFFICERS MAY BE DELEGATED.

26. In case of the absence of any officer of the corporation, or for any other reason that the board may deem sufficient, the board may delegate the powers or duties of such officer to any other officer or to any director for the time being, provided a majority of the entire board concur therein.

CERTIFICATE OF STOCK.

27. The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and the number of shares and shall be signed by the president or vice president and secretary or assistant secretary, treasurer or assistant treasurer, and shall bear the corpoate seal.

TRANSFERS OF STOCK.

28. Transfers of stock shall be made on the books of the corporation only by the person named in the certificate or by attorney, lawfully constituted in writing, and upon the surrender of such certificate.

DIRECTORS' ANNUAL STATEMENT.

29. The board of directors shall present at each annual meeting, and when called for by the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

NOTICES.

30. Whenever under the provisions of these by-laws notice is required to be given to any director, officer, or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing by depositing the same in the post office or letter box, in a post-paid sealed wrapper, addressed to such stockholder, officer, or director at such address as appears on the books of the corporation, or in default of other address to such director, officer, or stockholder at the general post office in the city of Wilmington, Del., and such notice shall be deemed to be given at the time when the same shall be thus mailed.

Any stockholder, director, or officer may waive any notice required to be given under these by-laws.

AMENDMENTS.

31. The stockholders, by the affirmative vote of a majority of the stock issued and outstanding, may, at any regular or at any special meeting, alter or amend these by-laws.

32. The board of directors, by the affirmative vote of a majority of its members, may alter or amend these by-laws at a regular or special meeting of the board, provided that the amendment shall have been proposed at a meeting of the board at least three days prior to said meeting.

The secretary presented the following transfers of subscription, to take effect at the close of this meeting:

From—	To--	Number of shares.
Geo. M. Rolph	Herbert Hoover	2
Theo. F. Whitmarsh	Clarence M. Wooley	1
Geo. A. Zabriskie	Frank W. Taussig	1
Geo. A. Zabriskie	Wm. A. Glasgow, jr	1

Upon motion, duly made and seconded, said transfers were approved, and ordered to be made a part of the minutes. The form of said transfers of subscription is as follows:

I, ———, having subscribed for ——— shares of the capital stock of the United States Sugar Equalization Board, (Inc.), do hereby transfer and assign to ——— all my right, title and interest as a subscriber to the capital stock of said corporation to the extent of ——— (——) shares, to take effect at the close of the first meeting of the incorporators of said company, July 16, 1918; and I do hereby request and direct the said corporation to issue the certificate for said ——— (——) shares to him or to such person as he may name.

In consideration of the foregoing transfer, I hereby assume all obligations of ——— to pay for said ——— (——) shares of stock and agree to pay my subscription therefor when called for by the directors of said company:

The chairman then called for nominations for the office of directors, to hold office until the next annual meeting, and Messrs. Herbert Hoover, George M. Rolph, Theodore F. Whitmarsh, George A. Zabriskie, William A. Glasgow, jr., Clarence M. Wooley and Frank W. Taussig, were nominated. No other nominations having been made, a ballot was duly taken, and all the stock holders having voted, and their ballots duly canvassed, the chairman announced that the above-named persons had been elected directors of the company by the unanimous vote of all the stockholders.

Upon motion duly made and seconded, it was

Resolved, That the directors be, and they hereby are, authorized to levy an assessment on the entire amount of the capital already subscribed, namely, $1,000.

Upon motion duly made and seconded, it was

Resolved, That the directors be, and they hereby are, authorized to issue the remaining authorized capital stock of this company to the aggregate amount of $4,999,000 for cash, as they shall from time to time deem advisable.

The meeting thereupon adjourned.

CHARLES B. BISHOP,
Secretary of the Meeting.

JULY 16, 1918.

AGREEMENT AS TO CUBAN SUGARS 1918–19 CROP BETWEEN THE UNITED STATES SUGAR EQUALIZATION BOARD (INC.) AND A COMMISSION OF THE REPUBLIC OF CUBA AND AGENTS OF CUBAN PRODUCERS.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.).

[United States Food Administration, Washington, D. C.]

Officers.—Herbert Hoover, chairman; George M. Rolph, president; T. F. Whitmarsh, treasurer; Robert A. Taft, secretary.

Directors.—Herbert Hoover, T. F. Whitmarsh, C. M. Woolley, George M. Rolph, W. A. Glasgow, Frank W Taussig, George A Zabriskie.

CUBAN COMMISSION.

[Appointed by Hon. Mario G. Menocal, President of the Republic of Cuba.]

Carlos Manuel de Cespedes, Robert B. Hawley, Manuel Rionda.

Agreement entered into this 24th day of October, 1918, in the city and State of New York, by and between United States Sugar Equalization Board (Inc.), a corporation of the State of Delaware, party of the first part, Carlos Manuel de Cespedes, Robert B. Hawley, and Manuel Rionda, a Cuban commission, parties of the second part, and agents of various Cuban producers acting severally for the producers of sugar in the island of Cuba, parties of the third part, witnesseth:

Whereas, the United States Sugar Equalization Board (Inc.) was created and is acting as an agency of the United States for the purpose in part of equalizing the distribution and selling price of sugar, and to that end has power and authority to purchase domestic or foreign raw sugar in such quantities, at such prices and upon such terms and conditions as it may deem advisable, and to resell said sugar in its discretion at, below, or above cost and upon the same or other and additional terms and conditions; and

Whereas, the President of the Republic of Cuba by executive order has appointed Carlos Manuel de Cespedes, Robert B. Hawley, and Manuel Rionda a Cuban commission to arrange for the sale of sugar produced in the island of Cuba during the crop season 1918–19, and to pledge the Republic of Cuba to the terms and conditions provided herein to be performed by said Republic; and

Whereas, the said Cuban commission has represented that there is power and purpose in the Government of the Republic of Cuba to cooperate in the establishment of a stabilized price for the whole of the Cuban crop of 1918–19, and also to control by license the export of any Cuban sugar to any person, entity, or country under specified terms and conditions, including price; and

Whereas, the said United States Sugar Equalization Board (Inc.) and the said Cuban commission have arranged for the purchase and sale of sugar produced in the island of Cuba during the crop season 1918–19, upon the terms and conditions hereinafter stated:

Now, therefore, the parties hereto each for its or himself for the part to be performed by it or him, or in behalf of others herein described, agree as follows:

1. The said Cuban commission agrees that it will immediately arrange that each and every producer of sugar in the island of Cuba, shall duly authorize an agent in the city of New York, one of the parties hereto (hereinafter severally or collectively called the Seller), to contract for and sell to the United States Sugar Equalization Board (Inc.) (hereinafter called the Buyer) the whole of his or their output of sugar deliverable at the option and upon the direction of the Buyer for shipment to the United States, United Kingdom, Canada, France or Italy, or to any other country upon the terms and conditions hereinafter stated; said authorizations shall be in writing and filed with the Buyer and shall state the name and location of the factory or factories of each of the said producers and the estimated production of each during the crop season 1918–19.

II. Pursuant to the said authorizations the Seller on behalf of himself and his principals agrees to sell and to deliver to the Buyer all the raw sugar produced by him or his principals in the island of Cuba during the crop season of 1918–19 (except that actually used for local consumption in Cuba) and the Buyer agrees to purchase and receive the same, on the following terms:

For shipment to the United States at the price of 5.88 cents[1] per pound cost and freight to New York/Philadelphia basis 96° average outturn polarization, net landed weights, based on a freight rate of 38½ cents per 100 pounds from north side ports west of and including Caibarien, subject to United States raw

[1] Inasmuch as the buyer assumes all risk of insurance up to an average rate of 31 cents per $100, which risk includes the excess insurance of 7 cents per $100 paid by the seller under the agreement for the 1917–18 crop, the basic cost and freight price is made 5.88 cents per pound for shipments to the United States in place of 5.885 cents per pound. The difference of 0.005 is to compensate the buyer for the excess insurance paid by the seller under the agreement for the 1917–18 crop and to provide for the contingency of advancing rates under the buyer's average rate policy up to an average of 31 cents per $100.

sugar contract terms, a copy of which is hereto annexed marked "Schedule A" and made a part hereof;

For shipment to the United Kingdom, France, and Italy at the price of 5.50 cents per pound f. o. b. northern ports, or 5.45 cents per pound f. o. b. south side ports basis for 96° centrifugal sugar, subject to all the conditions of the usual contract form for shipment to these countries, a copy of which is hereto annexed marked "Schedule B" and made a part hereof;

For shipment to Canada, if shipped direct to a Canadian port, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except that all matters of disagreement shall be determined pursuant to the provisions of article 6 hereof, but if shipped via a United States port, at the same prices and upon the same terms as are provided for shipments to the United States.

For shipment to all countries other than the United States, the United Kingdom, Canada, France, and Italy, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except, however, that net shipping weights, less 1 per cent, and Cuban tests shall be accepted by the Buyer and the Seller (weight to be calculated on United States standard), and that payment for such sugar shall be made by the Buyer in cash in New York in 10 days after presentation of shipping documents, or, at Seller's option, by 10 days' sight draft drawn on Buyer with shipping documents attached, and except that all matters of disagreement shall be determined pursuant to the provisions of article 6 hereof.

Shipments are to be made as soon as possible after grinding commences and not less than 2 per cent of the amount shall be shipped during December, 1918; the balance in approximate equal monthly shipments from January to November, 1919, both inclusive.

Sugar shall be shipped in sound jute bags containing approximately 325 pounds each. In all cases where shipment is made in secondhand bags there shall be deducted not less than 15 cents for each secondhand bag.

The Buyer reserves the right to order larger quantities shipped in any month if tonnage is obtainable and sugar is produced and available.

The Buyer will notify the Seller from time to time of proposed allocations of sugar for shipment as between the United States and other countries, and shipments shall be made as directed.

The Seller undertakes to pay all lighterage charges and all shipping expenses, and also all Cuban taxes both domestic and export.

On all shipments on the cost and freight basis provided in schedule A, the Seller undertakes to pay all necessary expenses at the port of discharge to effect delivery to Buyer on such safe wharf or refinery dock as may be designated by Buyer.

The Seller agrees to pay to the Buyer a commission of one-half of one per cent on the sugar shipped to other than United States ports.

The Seller agrees to pay on the sugar shipped to United States ports, a brokerage to be calculated on the average tons of Cuban sugar handled by brokers in the United States heretofore acting in their legitimate capacity as brokers in the three-year period of 1915–1917, but the total disbursement for this purpose shall not exceed $350,000. The concurrent decision of the Buyer and the Cuban commission shall be final and conclusive on any question or dispute arising under this clause.

In the event of any steamer being lost its cargo shall be settled on the bill of lading net weights and Cuban tests as soon as possible but not later than 30 days after proof of loss.

The parties obligated to provide tonnage will use due diligence and every effort so to do, but are released from responsibility by acts or circumstances beyond their control.

Marine insurance to be covered by the Buyer from shore to shore including the risk of lighterage to and from the vessel at ports of loading and discharge. Sugar shall not be loaded on any steamer, or other vessel not acceptable to the insurers under Buyers' average rate policy, unless specific directions to load an unacceptable vessel are given by either the Buyer or the Seller and insurance satisfactory to the Buyer is obtained. When such specific directions are given the excess insurance over an average rate of 31 cents per $100 shall be paid by the party ordering the vessel loaded. All war risk, from shore to shore, is for account of Buyer.

III. The Buyer shall have the right, from time to time, to assign this contract, without recourse, in respect to any part of the sugar contracted for

herein, to the Governments of the United Kingdom, Canada, France, or Italy, or to any duly constituted agency representing all or either of said Governments, or to any sugar refiner of the United States The Buyer, upon making any such assignment, shall give notice thereof to the Seller.

IV. The purchase of the sugar crop of 1918–19 by the Buyer as herein provided is made in reliance upon the representation and agreement of the Cuban Government that it will effectually prohibit any sugars of the 1918–19 crop from being shipped or exported from the island of Cuba except under this contract, and that it will enact such laws and promulgate such orders and decrees as are necessary to faithfully fulfill and observe the stipulation and condition aforesaid.

In the event of failure on the part of the Cuban Government to take the action above provided, or to faithfully fulfill and observe said stipulation and condition, or in the event of the inoperation, rescission or suspension thereof, the Buyer shall have the option, upon notice in writing to the Seller, to cancel this contract in respect to any undelivered portion of the said sugar crop of 1918–19.

If the Seller fails to deliver the sugar required to be delivered to the Buyer under this contract or if any sugar is directly or indirectly shipped or exported from the island of Cuba by the Seller or his principal to any consignee other than the Buyer or its assigns, the Buyer shall have the right, either in law or in equity, to sue for and recover all damages resulting therefrom, whether or not the above option of cancellation is exercised.

V. This contract is also made in reliance upon the representation and agreement of the Cuban Government that it will place no restrictions or embargoes on the export of molasses to the United States.

VI. All matters of disagreement arising under this contract between the Buyer and the Seller which can not be adjusted by them to their mutual satisfaction, shall be left to arbitration in Washington. But before any arbitration can be called by the Seller the matter in dispute shall be submitted by it or him to the Cuban commission and its approval of and consent to the arbitration obtained in writing. For the purposes of the arbitration, the Buyer and the Seller shall each select one arbitrator, and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties thereto. Any expenses attached to such arbitration shall be divided equally between said parties. It is agreed, however, that as to disputes arising on shipments to the United Kingdom, France, or Italy the arbitration clause in Schedule B shall apply.

VII. The Cuban Commission is acting hereunder solely in a representative capacity as an administrative agency of the Cuban Government under the express authority of said Government and its members do not assume nor shall they be charged with any personal liability. Upon the execution of this contract the Cuban Government will promptly take such governmental action as is necessary on its part to carry out its terms. It is understood and agreed by the parties hereto that the obligations of the Buyer hereunder are conditioned upon the undertakings of the Cuban Government herein expressed and upon the faithful fulfillment and observance thereof.

It is also agreed that the stockholders, directors, and officers of the United States Sugar Equalization Board (Inc.), do not assume nor shall they or either of them be charged with any personal liability under this contract or in respect to any matter or thing arising therefrom.

VIII. It is contemplated by the Buyer and Seller that the greater part of the sugar delivered for shipment to the United States will be resold directly or indirectly to the Atlantic and Gulf sugar refiners of the United States, who will be made the consignee of such sugar. For the convenience of the parties in all such cases, it is agreed that before departure of vessel from loading port the Seller, upon the request of the Buyer, will execute with the consignee a confirmation in the form of Schedule A hereto annexed, and will settle with such consignee in accordance with this contract, and it is further agreed that the Buyer will guarantee performance by the consignee unless the sugar is assigned pursuant to Article III hereof. All such consignments shall be by negotiable bill of lading to Sellers' order duly indorsed and said bill of lading shall not be delivered to consignee until payment for 95 per cent of the invoice is made as provided in said Schedule A.

IX. It is agreed that the Seller or his principals shall not export from the island of Cuba during the term of this contract any edible sirups fit for human

consumption from which sugar may be commercially extracted without the consent of the Buyer.

X. Should any unforeseen circumstances, such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, riots, or civil disturbance in the island of Cuba, prevent the making of the sugar covered by this contract, the Seller shall so advise the Buyer immediately and thereupon shall be released from delivery of such portion of the crop as can not be made or delivered, but the Seller agrees to use due diligence to carry out this contract in its entirety notwithstanding the circumstances mentioned.

Should any unforeseen circumstances, such as war, fire, explosion, acts of God, and the public enemy, strikes, riots, car shortage, lack of fuel, lack of storage facilities or disturbances in the United States, prevent the Buyer from receiving or delivering or the refiners of the United States from refining the sugar purchased under this contract the Buyer shall immediately give notice of such conditions to the Seller and thereupon the Buyer shall be released from any damages by reason of nonacceptance of raw sugar (except sugars afloat) during the time that the above conditions continue, but the Buyer will use all due diligence notwithstanding the unforeseen circumstances to carry out this contract as far as possible in its entirety.

In witness whereof, the parties hereto, being duly authorized, have executed this agreement as of the day and year first above written.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.),
By ------ ------,
President.
By ------ ------,
Secretary.
CUBAN COMMISSION,
By ------ ------
------ ------
------ ------
------ ------
------ ------
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AGENTS OF VARIOUS CUBAN PRODUCERS.

Acting severally for the producers of sugar in the island of Cuba under the authorizations dated October 24, 1918, and filed with the Buyer.)

[Schedule A.]

CONFIRMATION.

[United States raw sugar contract—Cubas—Cost and freight.]

NEW YORK, ———, 191—.

To ——— REFINING Co. (Hereinafter called "Consignee"):

At the request of the United States Sugar Equalization Board (Inc.), we hereby confirm the sale to you for its account under the terms of the agreement as to Cuban sugars, 1918–19 crop, dated October 24, 1918, of about ——— long tons of Cuba centrifugal sugar. Delivery of 5 per cent, more or less, than this amount to be settled for on same basis.

Shipment to be made by negotiable bill of lading per steamship ——— expected to load at ——— about ———, 191—, for port of ——— via steamer (or steamers) or by car ferry via Key West. The consignee must give notice of destination at least two days before steamer finishes loading at the last loading port. The consignee can order steamers to New York, Philadelphia, Boston, Savannah, New Orleans, or Galveston, but to only one port for each trip.

At a price of 5.88 cents a pound, cost and freight, basis 96° average outturn polarization, net landed weights, and is based on a freight rate of 38½ cents from north side ports west of and including Caibarien to New York or/and Philadelphia. In case the rate of freight to Boston, Savannah, New Orleans, or Galveston is lower/higher than the rate to New York or/and Philadelphia from said north side ports, the amount of the reduction/increase shall be deducted from/added to the above price. In case the rate of freight from said north side ports to New York or/and Philadelphia is increased/decreased, the above price shall be increased/decreased by the amount of such increase/decrease.

Discharge of the sugar in the United States to be made at a customary safe wharf or refinery, as directed by the consignee. Demurrage and dispatch

money at port of destination to be for account of consignee and at port of loading to be for account of Seller. Consignee not to be responsible for demurrage or other loss caused by reason of the failure of Seller to furnish all necessary Cuban papers. Documents required to effect a prompt entry and discharge of cargo in the United States to be furnished by the Seller. Party in default in producing necessary papers for entry of sugar shall be liable for demurrage of the vessel and for actual expense incurred.

Payment to be made by the consignee to———either in cash on presentation of all necessary shipping documents or at Buyer's option by one day sight draft attached to negotiable bill of lading to Sellers' order, duly indorsed for 95 per cent of the invoice, based on net shipping weights and tests, less interest for nine days at the rate of 6 per cent per annum. Any balance to be paid immediately after final settlement of weights and tests, with interest on balance at the rate of 6 per cent per annum from 10 days after date of entry of steamer. If sugar is shipped in sailing vessel, payment to be made in cash on presentation of documents after entry of vessel at customhouse for 95 per cent of the invoice based on net shipping weights and tests, any balance to be paid immediately after final settlement of weights and tests, with interest on said balance as above. All payments to be made in New York or New York exchange.

Samples to be drawn mutually by consignee and seller. Three tests to be made of each sample of sugar, one by Seller's public chemist, one by consignee's public chemist, and one by the New York Sugar Trade Laboratory. The average of the two nearest polarizations to be taken as the final test. Settlement on each shipment to be made on the final test, with the allowance of one-twentieth cent per pound for each degree above the selling basis up to 98°, and one-tenth cent per pound for each degree below the selling basis down to 94°, fractions in proportion. Any marks below 94° test, three-twentieths cent per pound per degree down, fractions in proportion, but no sugar to be delivered below 93°, unless on discount terms mutually satisfactory to consignee and Seller.

Marine and war risk insurance arranged by United States Sugar Equalization Board (Inc.).

——— ———
Seller.

Accepted:

——— Refining Co.,
Consignee.

[Schedule B.]

CONDITIONS OF THE USUAL CONTRACT FORM FOR SHIPMENT TO THE UNITED KINGDOM, FRANCE, AND ITALY.

——— tons (of 2,240 pounds net each) of Cuba centrifugal sugar, fair average quality of the crop.

For shipment.

Free on board steamers of one or two customary safe north side Cuban ports for each cargo.

Basis 96 per cent average outturn polarization. For any excess above 96 per cent, one-twentieth cent per pound per degree to be added to contract price; for any deficiency below 96 per cent, one-tenth cent per pound per degree to be deducted from contract price down to 94 per cent polarization. If any mark or marks polarize below 94 per cent, an allowance of three-twentieths cent per pound per degree to be deducted in addition to the aforementioned allowance from 96 per cent to 94 per cent, but no sugar to be delivered below 93 per cent.

Fractions in all cases in proportion.

Net landed weights and outturn polarization at port of discharge.

Usual conditions of sampling and polarizing.

Sellers have the option of delivering at one or two customary safe south side Cuban ports. Vessels are to receive sugars as fast as possible and the Sellers are to supply the cargoes at not less than 6,000 bags per working day at north side ports and at Cienfuegos and 4,500 bags per day at all other south side ports in default of which demurrage is to be paid by Sellers at the same rate as heretofore.

Sugar to be shipped in vessels to be provided by Buyers to load as above. Buyers to give Sellers reasonable notice of expected readiness.

Payment to be made by Buyers in cash in New York in exchange for complete sets of bills of lading and certificates of origin (old and new forms)

immediately upon receipt of a cable from ———, to ———, saying that the documents are in their possession in New York.

Marine insurance from shore to shore, including craft risk loading and discharging, on usual full Lloyd's conditions to be for Buyers' accounts.

War risk, if any, to be for Buyers' account.

Any dispute arising out of this contract to be settled by arbitration under the rules of the Sugar Association of London (cane sugar section), Buyers being considered as a refiner.

If sugar shipped to Europe, Buyers to give Sellers at once copies of such documents as are required by, and on form acceptable to the customs at port of destination, including full details of such consular certificates as are needful. Sellers to have shipping documents made on similar forms as soon as shipment is complete, but they are not to be held responsible for any delays owing to absence of or distant locations of consuls from port of shipment.

In the event of Buyers failing to provide tonnage as above, they are to reimburse Sellers for the actual cost and proved loss of holding over the sugar, including interest at 5 per cent per annum, the provisions of tonnage not to be unduly delayed.

AGREEMENT BETWEEN THE UNITED STATES SUGAR EQUALIZATION BOARD (INC.) AND HERBERT HOOVER, UNITED STATES FOOD ADMINISTRATOR, AND UNITED STATES SUGAR REFINERS, OCTOBER 24, 1918.

Agreement entered into this 24th day of October, 1918, in the city and State of New York, between the United States Sugar Equalization Board (Inc.), a corporation of the State of Delaware, hereinafter described as the "Equalization Board," and the refiners of sugar in the United States acting severally, signatory hereto, hereinafter described as the "Refiners," and Herbert Hoover, as United States Food Administrator, hereinafter described as the "Food Administrator," witnesseth:

Whereas, the Equalization Board has been created and is acting as an agency of the United States for the purpose in part of equalizing the distribution and selling price of sugar, and contemporaneously with the execution of this agreement has entered into an agreement bearing even date herewith for the purchase of raw sugar produced in the island of Cuba during the crop season 1918–19, which agreement, described as the "Cuban agreement," is hereto annexed and marked "Exhibit A," and

Whereas, with a view to securing regular and sufficient supplies of sugar to the American people and the Army and Navy at a reasonable price, even during the disorganized period of world trade, the Equalization Board has, in the interest of the American people and the Allies, purchased the Cuban sugar crop of 1918–19 for distribution to the American people, their Allies and others, and

Whereas, the Food Administrator and the Equalization Board are desirous of securing an equality of distribution of said sugars according to the requirements or to secure such exports from said sugar as may be in surplus and may be determined by the agencies of the Government as necessary to meet its international obligations, and

Whereas, it is necessary and advisable in order to secure an equitable distribution of sugar throughout the United States to apportion Cuban and other sugars among the Refiners for their requirements, and to that end to continue the American Refiners' Committee, and

Whereas, the American Refiners are desirous of fully cooperating with the agencies of the Government in the purposes above set forth,

Now, therefore, the parties hereto in consideration of the premises and the mutual covenants herein contained, each for itself and himself, for the part or proportion of this agreement to be performed by it or him, severally and not jointly, agree as follows:

I. The Food Administrator and said Refiners agree that the agreement of October 1, 1917, between the Refiners and the Food Administrator, shall be and same hereby is cancelled and annulled so far as the rights and obligations of the parties hereto to each other are concerned, except as to such sugars of 1917–18 crop as have not been delivered.

II. Such of the following-named persons as are officers of companies signatory hereto, are hereby appointed by the Food Administrator for the period of this agreement and shall constitute the American Refiners' Committee, with

the powers and duties hereinafter set forth: James H. Post, chairman, Claus A. Spreckels, Charles M. Warner, George H. Earle, jr., Robert M. Parker.

And the following-named persons who are representatives of companies signatory hereto are appointed as alternates on said committee, who shall have the privilege of being present at all meetings and serving in the place of any absent member or filling any vacancies in said committee in the order named: Dwight P. Thomas, W. J. McCahan, jr., Benjamin A. Oxnard, M. E. Goetzinger, John Farr, William Henderson, W. T. Eldredge, E. L. Wemple.

III. Until the 31st day of December, 1919, the Refiners will not purchase any sugar except from the Equalization Board, other than such sugars as are provided under the said agreement of October 1, 1917, and Hawaiian sugars hereinafter referred to: *Provided, however*, That Refiners may purchase sugars, other than the crop of 1918–19, for delivery after December 31, 1919.

IV. The sugar provided by the Equalization Board shall be distributed among the Refiners who enter into this agreement to meet their requirements, in the proportions set forth in "Exhibit B," which is made a part hereof, and in case there is a disagreement between a Refiner and the American Refiners' Committee as to apportionment, the matter shall be submitted to the United States Food Administrator and his decision shall be final, and any sugar received by a Refiner from any source shall be charged against his pro rata amount under such distribution. The Hawaiian sugar that may be deliverable under any contract to any refiner party hereto shall be taken over in rotation in an order to be determined by lot to be drawn by the chairman of the American Refiners' Committee and upon the terms provided for in such contract for account of the New York and Philadelphia Refiners, parties hereto, and the rights and obligations of the purchaser under said contract are to be assumed by said Refiners.

V. The American Refiners' Committee is, under the direction, supervision, and control of the Equalization Board, hereby charged with the duty and responsibility on behalf of the Refiners hereto, of arranging, routing, and distributing to the several Refiners, the sugar to be purchased as hereinafter set forth from the Equalization Board and such duties shall, so far as possible, be carried out in accordance with the requirements and convenience of the several Refiners.

VI. The several Refiners, not in any way limiting their ordinary power or business discretion to determine to what extent they may severally operate their refineries, agree to and do hereby purchase from the Equalization Board and the Equalization Board agrees, subject to its commitments from time to time to Governments or persons outside the United States and to the requirements of the United States Government and buyers in the United States other than refiners, to sell to the Refiners their entire requirements of raw sugar for the operation of their several refineries for such time as the respective refiners in their respective judgments determine to operate their respective refineries, for the period beginning with the date of this agreement and ending on December 31, 1919 (except such raw sugars as are purchased by the Refiners under the agreement of October 1, 1917, and the Hawaiian contracts herein referred to); and they severally agree not to purchase any sugar from any person, country, or source of supply, during said period, other, than from the Equalization Board.

For all such purchases of sugar from Cuba the several Refiners agree to pay the price of 7.28 cents per pound, 96° average outturn polarization (duty, if any, paid).[1]

All sugar furnished the Refiners from Cuba shall be settled for by each Refiner on the same terms and conditions under which said sugar was purchased by the Equalization Board under the Cuban agreement. The Refiners severally agree for their proportions of the Cuban sugar hereby purchased by them to pay the amounts required to be paid by the Equalization Board, under, by, and in accordance with the terms of the Cuban agreement, and in addition thereto to pay to the Equalization Board the difference between the amount per pound they are required to pay under the Cuban agreement for the sugar delivered and 7.28 cents per pound for 96° test.

The Equalization Board states that the amount so paid to it may be used by it for the liquidation of any losses it may incur on excess stocks of sugar

[1] For sugar polarizing over 96° there shall be added to the price 7 cents per 100 pounds per degree up to 98°. For sugar polarizing under 96° there shall be deducted from the price 12 cents per 100 pounds per degree down to 94°. For sugar polarizing between 94° down to 93° there shall be deducted from the price 17 cents per 100 pounds per degree, fractions in proportion.

purchased by it or in equalizing the distribution or price of sugar to the American people. Any balance in the treasury of the Equalization Board after the discharge of its obligations hereunder and other liabilities belongs to its only stockholder, the United States.

VII. The Refiners severally agree to receive, accept, and pay for any sugar, other than from Cuba, which may be purchased by the Equalization Board from time to time, for the requirements of such Refiners, respectively, as stated in Paragraph VI, at the price of 7.28 cents per pound 96° test, average outturn polarization (duty, if any, paid) delivered at refinery, with allowances for differences in test as specified in Paragraph VI, provided that the Sugar Equalization Board is not required to deliver sugar under this and the preceding Paragraph VI unless due notice of the requirements of such refiner is given to the said board and the sugars are reasonably obtainable at a delivered duty paid price of 7.28 cents per pound or less.

VIII. Marine insurance on sugar purchased by the Equalization Board on a cost and freight basis shall be arranged by the American Refiners' Committee under direction of the Equalization Board, from shore to shore, including the risk of lighterage to and from the vessel at ports of loading and discharge, the cost thereof to be paid by the Refiners severally and charged against the price of the sugar delivered hereunder.

IX. The Equalization Board, however, reserves the right in its sole discretion, from time to time, to change the price to the Refiners as to any sugar to be delivered under this agreement, upon giving 15 days' previous notice of such change of price, and in case of any such change of price, settlement by the Refiners for their purchases of all sugar shall thereafter be upon the basis of such changed price instead of the 7.28 cents per pound 96° test above mentioned. Due regard to be given allowances up and down from 96°.

X. In making settlement for sugars purchased by them hereunder, the Colonial Sugar Co. and the Leon Godchaux Co. (Ltd.) shall each be entitled to charge against any sum or sums to be severally paid by them (to cover inland freight to refining points when paid by such Refiners) the sum of 3½ cents per 100 pounds of sugar purchased by them from the Sugar Equalization Board aforesaid. These charges, however, may be canceled or changed from time to time at the option of the Equalization Board.

XI. Each of the undersigned Refiners agrees that it will sell all sugar refined by it at a price not more than $1.54 net per 100 pounds wholesale of refined sugar on the basis of fine granulated sugar in barrels or in 100-pound bags (when used as the standard basis) f. o. b. refinery above the price for 96° centrifugal sugar paid to the Equalization Board provided for in this agreement, with such differentials as are now shown on its official price list, same being subject to change from time to time on consent and approval of the Equalization Board. Said net margin shall be exclusive of the 2 per cent cash discount, payment in 10 days to the trade. This margin is determined on a delivered duty-paid price of from 7.10 to 7.35 cents per pound for 96° test raw sugar, and in case the price provided for in this agreement goes below 7.10 cents per pound the margin aforesaid shall be decreased in such a manner as to return substantially the same profit to the Refiner. In case the basic price goes above 7.35 cents per pound, said margin shall be increased to accomplish the same purpose. It is mutually agreed between the parties hereto that said margin shall be promptly revised by the parties hereto from time to time in case of changes in cost of refining and of wholesale distribution, or in the event of an excise or similar tax.

It is further understood that the margin upon any sugar purchased under the Hawaiian contracts above referred to may be increased by the amount of the differential under which such sugar is purchased.

XII. It is further understood that inasmuch as this agreement has been entered into at the request of the Food Administration and the Equalization Board for the purposes above recited, in view of the limitation on the price to be secured by the Refiner for its refined product, it is mutually agreed between the Equalization Board and the Refiners that in case of an advance or decline in the price of sugar from 7.28 cents per pound for 96° test, raw basis, due to any action of the Equalization Board, the Equalization Board will pay to each of the Refiners in the event of a decline in price, and each of the Refiners will pay to the Equalization Board in the event of a raise in price, a sum equivalent to the change in price multiplied by the number of pounds of raw or refined sugar (raw basis)[1] which each of the Refiners may have purchased

[1] Refined sugar shall be reduced to raw basis by adding 7 per cent to its weight.

hereunder, and which is undelivered or on hand or in transit on the date when such change takes place.

XIII. Each Refiner signatory hereto agrees to conduct his or its export business under the direction of the Equalization Board, and to export or distribute to the domestic trade such proportion of its refined sugar as the Equalization Board may direct, upon prices and terms which will yield the Refiner the same margin as is specified in Paragraph XI, and in the event of sales for export at a higher price, the excess over the Refiners' margin is to be for the account of the Equalization Board.

The Equalization Board furthermore agrees in conducting its export business that it will endeavor where conditions permit to provide (in case the Refiners desire) additional quantities of dutiable raw sugar, after giving due consideration to the requests and requirements of other nations or buyers.

XIV. So long as raw sugars are available for Refiners' requirements, the said Food Administrator and the said Equalization Board will not restrict the sale and distribution of refined sugar made from raw sugar purchased under this agreement. The Food Administratior or the Equalization Board shall have the right to supervise the domestic distribution of sugar during the life of this contract. No restrictions shall be placed upon domestic consumption until after the Refiners have been consulted.

XV. In the event that any Refiner named in Exhibit B does not enter into this agreement its pro rata proportion of sugar shall be allotted to the Refiners signatory hereto, if they desire, in the proportions and at the price and upon the terms and conditions herein provided as to the sugar purchased hereunder.

XVI. From October 1, 1919, to December 31, 1919, if requested so to do by the Equalization Board, the Refiners agree to refine any raw sugar the Equalization Board may have purchased and not sold to Refiners at the Refiners' margin then in effect, to be ascertained as provided in Paragraph XI, less 3 cents per 100 pounds. The Refiners agree to offer said sugar for sale and distribution, if requested so to do, at such price and on such terms as said Equalization Board may direct, for a commission of 3 cents per 100 pounds.

XVII. Should any unforeseen circumstances such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, marine loss, fire, explosion, riots or civil disturbances, embargoes, prohibitions, or other causes, either in the United States, Cuba, or elsewhere, prevent the Equalization Board from making delivery of the sugar according to the terms hereof, it shall so advise the Refiners' committee immediately and be released from delivery of such portion of the sugar as can not be delivered, but the Equalization Board agrees to use due diligence to carry out this agreement in its entirety, notwithstanding the circumstances mentioned.

XVIII. All matters of disagreement arising under this agreement between the Equalization Board and any other party hereto which can not be adjusted by them to their mutual satisfaction, shall be left to arbitration in Washington.

The Equalization Board and the American Refiners' Committee shall each select one arbitrator and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties thereto. In case the disagreement is between only one Refiner and the Equalization Board, the arbitrator provided to be appointed by the American Refiners' Committee shall be appointed by such one Refiner. Any expense attached to such arbitration shall be divided equally among the parties to the arbitration.

XIX. It is agreed by all parties hereto that said Equalization Board may earn a profit on any sugar it may purchase and resell to said Refiners or on any sugar it may purchase from said Refiners and resell for export.

XX. It is further understood that the individual members of the said American refiners' Committee are acting herein as volunteers, in a purely administrative capacity, and accordingly the parties hereto agree that said members of the said committee shall not incur any personal liability, individually or collectively, under the terms of this contract, nor be responsible for any damage of whatever kind connected with any matter or thing relating to this contract; nor shall they be responsible or liable for any act, fault or misconduct of any agents or persons employed by them, and the parties hereto hereby further release and discharge the said individual members of the said committee from any and all claims of whatever kind for personal liability or responsibility as aforesaid.

XXI. The Refiners severally agree to pay their pro rata share on the basis of sugar purchased of any expenses incurred by the American Refiners' Committee in carrying out this agreement.

XXII. This agreement shall remain in full force and effect up to and including December 31, 1919, and shall cover all sugar shipped or in transit prior to that date.

In witness whereof, the parties hereto have subscribed this agreement as of the day and year first above written.

United States Sugar Equalization Board (Inc.), by ——— ———, president; ——— ———, United States Food Administrator; The American Sugar Refining Co. for itself and for its constituent companies: The American Sugar Refining Co. of New York, The Franklin Sugar Refining Co., The Spreckels Sugar Refining Co., operating under United States Food Administration's license No. F 0241, by ——— ———, president; The National Sugar Refining Co. of New Jersey for itself and its constituent companies: The New York Sugar Refining Co., The National Sugar Refining Co., The Mollenhauer Sugar Refining Co., operating under United States Food Administration's license No. F 0039, by ——— ———, president; Arbuckle Bros., by ——— ———; Warner Sugar Refining Co., by ——— ———; Federal Sugar Refining Co., by ——— ———; The W. J. McCahan Sugar Refining Co., by ——— ———; Pennsylvania Sugar Co., by ——— ———; Revere Sugar Refinery, by ——— ———; Savannah Sugar Refining Corporation, by ——— ———; Colonial Sugars Co., by ——— ———; Wm. Henderson, ——— ———; Imperial Sugar Co., by ——— ———; The Leon Godchaux Co. (Ltd.), by ——— ———; California & Hawaiian Sugar Refining Co., by ——— ———; Western Sugar Refining Co., by ——— ———.

[Exhibit A.]

AGREEMENT AS TO CUBAN SUGARS, 1918–19 CROP

Agreement entered into this 24th day of October, 1918, in the city and State of New York, by and between United States Sugar Equalization Board (Inc.), a corporation of the State of Delaware, party of the first part, Carlos Manuel de Cespedes, Robert B. Hawley, and Manuel Rionda, a Cuban Commission, parties of the second part, and agents of various Cuban producers acting severally for the producers of sugar in the island of Cuba, parties of the third part, witnesseth:

Whereas thhe United States Sugar Equilization Board (Inc.) was created and is acting as an agency of the United States for the purpose in part of equalizing the distribution and selling price of sugar, and to that end has power and authority to purchase domestic or foreign raw sugar in such quantities, at such prices and upon such terms and conditions as it may deem advisable, and to resell said sugar in its discretion at, below, or above cost and upon the same or other and additional terms and conditions; and

Whereas the President of the Republic of Cuba by executive order has appointed Carlos Manuel de Cespedes, Robert B. Hawley, and Manuel Rionda a Cuban Commission to arrange for the sale of sugar produced in the island of Cuba during the crop season 1918–19, and to pledge the Republic of Cuba to the terms and conditions provided herein to be performed by said Republic; and

Whereas the said Cuban Commission has represented that there is power and purpose in the Government of the Republic of Cuba to cooperate in the establishment of a stabilized price for the whole of the Cuban crop of 1918–19, and also to control by license the export of any Cuban sugar to any person, entity, or country under specified terms and conditions, including price; and

Whereas the said United States Sugar Equilization Board (Inc.), and the said Cuban Commission have arranged for the purchase and sale of sugar produced in the island of Cuba during the crop season 1918–19, upon the terms and conditions hereinafter stated;

Now, therefore, the parties hereto, each for its or himself, for the part to be performed by it or him, or in behalf of others herein described, agree as follows:

I. The said Cuban Commission agrees that it will immediately arrange that each and every producer of sugar in the island of Cuba, shall duly authorize

an agent in the city of New York, one of the parties hereto (hereinafter severally or collectively called the seller) to contract for and sell to the United States Sugar Equalization Board (Inc.) (hereinafter called the buyer) the whole of his or their output of sugar, deliverable at the option and upon the direction of the buyer, for shipment to the United States, United Kingdom, Canada, France, or Italy, or to any other country upon the terms and conditions hereinafter stated; said authorizations shall be in writing and filed with the buyer and shall state the name and location of the factory or factories of each of the said producers and the estimated production of each during the crop season 1918–19.

II. Pursuant to the said authorizations the seller on behalf of himself and his principals agrees to sell and to deliver to the buyer all the raw sugar produced by him or his principals in the island of Cuba during the crop season of 1918–19 (except that actually used for local consumption in Cuba) and the buyer agrees to purchase and receive the same, on the following terms:

For shipment to the United States at the price of 5.88 cents[1] per pound c. & f. to New York/Philadelphia basis 96° average outturn polarization, net landed weights, based on a freight rate of 38½ cents per 100 pounds from north side ports west of and including Caibarien, subject to United States raw-sugar contract terms, a copy of which is hereto annexed marked Schedule A and made a part hereof.

For shipment to the United Kingdom, France, and Italy at the price of 5.50 cents per pound f. o. b. northern ports, or 5.45 cents per pound f. o. b. south side ports basis for 96° centrifugal sugar, subject to all the conditions of the usual contract form for shipment to these countries, a copy of which is hereto annexed marked Schedule B and made a part hereof.

For shipment to Canada, if shipped direct to a Canadian port, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except that all matters of disagreement shall be determined pursuant to the provisions of Article VI hereof, but if shipped via a United States port, at the same prices and upon the same terms as are provided for shipments to the United States.

For shipment to all countries other than the United States, the United Kingdom, Canada, France, and Italy, at the same prices and upon the same terms as are provided for shipments to the United Kingdom, except, however, that net shipping weights, less 1 per cent, and Cuban tests shall be accepted by the buyer and the seller (weight to be calculated on United States standard), and that payment for such sugar shall be made by the buyer in cash in New York in 10 days after presentation of shipping documents, or, at seller's option, by 10 days' sight draft drawn on buyer with shipping documents attached, and except that all matters of disagreement shall be determined pursuant to the provisions of Article VI hereof.

Shipments are to be made as soon as possible after grinding commences and not less than 2 per cent of the amount shall be shipped during December, 1918; the balance in approximate equal monthly shipments from January to November, 1919, both inclusive.

Sugar shall be shipped in sound jute bags containing approximately 325 pounds each. In all cases where shipment is made in second-hand bags there shall be deducted not less than 15 cents for each second-hand bag.

The buyer reserves the right to order larger quantities shipped in any month if tonnage is obtainable and sugar is produced and available.

The buyer will notify the seller from time to time of proposed allocations of sugar for shipment as between the United States and other countries, and shipments shall be made as directed.

The seller undertakes to pay all lighterage charges and all shipping expenses, and also all Cuban taxes both domestic and export.

On all shipments on the c. and f. basis provided in schedule A, the seller undertakes to pay all necessary expenses at the port of discharge to effect

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NOTE.—Inasmuch as the buyer assumes all risk of insurance up to an average rate of 31 cents per $100, which risk includes the excess insurance of 7 cents per $100 paid by the seller under the agreement for the 1917–18 crop, the basic cost and freight price is made 5.88 cents per pound for shipments to the United States in place of 5.885 cents per pound. The difference of 0.005 is to compensate the buyer for the excess insurance paid by the seller under the agreement for the 1917–18 crop and to provide for the contingency of advancing rates under the buyer's average rate policy up to an average of 31 cents per $100.

delivery to buyer on such safe wharf or refinery dock as may be designated by buyer.

The seller agrees to pay to the buyer a commission of one-half of 1 per cent on the sugar shipped to other than United States ports.

The seller agrees to pay on the sugar shipped to United States ports, a brokerage to be calculated on the average tons of Cuban sugar handled by brokers in the United States heretofore acting in their legitimate capacity as brokers in the three-year period of 1915–1917, but the total disbursement for this purpose shall not exceed $350,000. The concurrent decision of the buyer and the Cuban Commission shall be final and conclusive on any question or dispute arising under this clause.

In the event of any steamer being lost its cargo shall be settled on the bill of lading net weights and Cuban tests as soon as possible but not later than 30 days after proof of loss.

The parties obligated to provide tonnage will use due diligence and every effort so to do, but are released from responsibility by acts or circumstances beyond their control.

Marine insurance to be covered by the buyer from shore to shore including the risk of lighterage to and from the vessel at ports of loading and discharge. Sugar shall not be loaded on any steamer, or other vessel not acceptable to the insurers under buyers' average rate policy, unless specific directions to load an unacceptable vessel are given by either the buyer or the seller and insurance satisfactory to the buyer is obtained. When such specific directions are given, the excess insurance over an average rate of 31 cents per $100 shall be paid by the party ordering the vessel loaded. All war risk, from shore to shore, is for account of buyer.

III. The buyer shall have the right from time to time to assign this contract, without recourse, in respect to any part of the sugar contracted for herein, to the Governments of the United Kingdom, Canada, France, or Italy, or to any constituted agency representing all or either of said Governments, or to any sugar refiner of the United States. The buyer, upon making any such assignment, shall give notice thereof to the seller.

IV. The purchase of the sugar crop of 1918–19 by the buyer as herein provided is made in reliance upon the representation and agreement of the Cuban Government that it will effectually prohibit any sugars of the 1918–19 crop from being shipped or exported from the island of Cuba except under this contract, and that it will enact such laws and promulgate such orders and decrees as are necessary to faithfully fulfill and observe the stipulation and condition aforesaid.

In the event of failure on the part of the Cuban Government to take the action above provided, or to faithfully fulfill and observe said stipulation and condition, or in the event of the inoperation, recission, or suspension thereof, the buyer shall have the option, upon notice in writing to the seller, to cancel this contract in respect to any undelivered portion of the said sugar crop of 1918–19.

If the seller fails to deliver the sugar required to be delivered to the buyer under this contract or if any sugar is directly or indirectly shipped or exported from the island of Cuba by the seller or his principal to any consignee other than the buyer or its assigns, the buyer shall have the right, either in law or in equity, to sue for and recover all damages resulting therefrom, whether or not the above option of cancellation is exercised.

V. This contract is also made in reliance upon the representation and agreement of the Cuban Government that it will place no restrictions or embargoes on the export of molasses to the United States.

VI. All matters of disagreement arising under this contract between the buyer and the seller, which can not be adjusted by them to their mutual satisfaction, shall be left to arbitration in Washington. But before any arbitration can be called by the seller the matter in dispute shall be submitted by it or him to the Cuban Commission and its approval of and consent to the arbitration obtained in writing. For the purposes of the arbitration, the buyer and the seller shall each select one arbitrator, and the two so selected shall select a third, and the decision of any two of said arbitrators shall be final and conclusive upon the parties thereto. Any expenses attached to such arbitration shall be divided equally between said parties. It is agreed, however, that as to disputes arising on shipments to the United Kingdom, France, or Italy the arbitration clause in Schedule B shall apply.

VII. The Cuban Commission is acting hereunder solely in a representative capacity as an administrative agency of the Cuban Government under the express authority of said Government and its members do not assume nor shall they be charged with any personal liability. Upon the execution of this contract the Cuban Government will promptly take such governmental action as is necessary on its part to carry out its terms. It is understood and agreed by the parties hereto that the obligations of the buyer hereunder are conditioned upon the undertakings of the Cuban Government herein expressed and upon the faithful fulfillment and observance thereof.

It is also agreed that the stockholders, directors, and officers of the United States Sugar Equalization Board (Inc.) do not assume nor shall they or either of them be charged with any personal liability under this contract or in respect to any matter or thing arising therefrom.

VIII. It is contemplated by the buyer and seller that the greater part of the sugar delivered for shipment to the United States will be resold directly or indirectly to the Atlantic and Gulf sugar refiners of the United States, who will be made the consignee of such sugar. For the convenience of the parties in all such cases, it is agreed that before departure of vessel from loading port the seller, upon the request of the buyer, will execute with the consignee a confirmation in the form of schedule A hereto annexed, and will settle with such consignee in accordance with this contract, and it is further agreed that the buyer will guarantee performance by the consignee unless the sugar is assigned pursuant to Article III hereof. All such consignments shall be by negotiable bill of lading to sellers' order duly indorsed and said bill of lading shall not be delivered to consignee until payment for 95 per cent of the invoice is made as provided in said Schedule A.

IX. It is agreed that the seller or his principals shall not export from the island of Cuba during the term of this contract any edible sirups fit for human consumption from which sugar may be commercially extracted without the consent of the buyer.

X. Should any unforeseen circumstances, such as war, rebellion, insurrection, political disturbances, strikes, lack of fuel, riots, or civil disturbance in the island of Cuba, prevent the making of the sugar covered by this contract, the seller shall so advise the buyer immediately and thereupon shall be released from delivery of such portion of the crop as can not be made or delivered, but the seller agrees to use due diligence to carry out this contract in its entirety notwithstanding the circumstances mentioned.

Should any unforeseen circumstances, such as war, fire, explosion, acts of God and the public enemy, strikes, riots, car shortage, lack of fuel, lack of storage facilities, or disturbances in the United States, prevent the buyer from receiving or delivering or the refiners of the United States from refining the sugar purchased under this contract the buyer shall immediately give notice of such conditions to the seller and thereupon the buyer shall be released from any damages by reason of nonacceptance of raw sugar (except sugars afloat) during the time that the above conditions continue, but the buyer will use all due diligence notwithstanding the unforeseen circumstances to carry out this contract as far as possible in its entirety.

In witness whereof, the parties hereto, being duly authorized, have executed this agreement as of the day and year first above written.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.),
By ——— ———, *President.*
——— ———, *Secretary.*

CUBAN COMMISSION,
By ——— ———,
——— ———
——— ———

AGENTS OF VARIOUS CUBAN PRODUCTS,
(Acting severally for the producers of sugar in the island of Cuba under authorizations dated October 24, 1918, and filed with the buyer,)
——— ———
——— ———
——— ———

[Schedule A.]

CONFIRMATION.

United States Raw Sugar Contract—Cubas—Cost and Freight.

NEW YORK, ———, 191—.

To —— —— REFINING Co. (hereinafter called "Consignee").

At the request of the United States Sugar Equalization Board (Inc.), we hereby confirm the sale to you for its account under the terms of the agreement as to Cuban sugars, 1918–19 crop, dated October 24, 1918, of about —— long tons of Cuba centrifugal sugar. Delivery of 5 per cent more or less than this amount to be settled for on same basis.

Shipment to be made by negotiable bill of lading per s/s ——— expected to load at ——— about ——— 191— for port of ——— via steamer (or steamers) or by car ferry via Key West. The consignee must give notice of destination at least two days before steamer finishes loading at the last loading port. The consignee can order steamers to New York, Philadelphia, Boston, Savannah, New Orleans, or Galveston, but to only one port for each trip.

At a price of 5.88 cents a pound, cost and freight, basis 96° average outturn polarization, net landed weights, and is based on a freight rate of 38½ cents from north side ports west of and including Caibarien to New York or (and) Philadelphia. In case the rate of freight to Boston, Savannah, New Orleans, or Galveston is lower (higher) than the rate to New York or (and) Philadelphia from said north side ports, the amount of the reduction (increase) shall be deducted from (added) to the above price. In case the rate of freight from said north side ports to New York or (and) Philadelphia is increased (decreased), the above price shall be increased (decreased) by the amount of such increase (decrease).

Discharge of the sugar in the United States to be made at a customary safe wharf or refinery, as directed by the consignee. Demurrage and dispatch money at port of destination to be for account of consignee and at port of loading to be for account of seller. Consignee not to be responsible for demurrage or other loss caused by reason of the failure of seller to furnish all necessary Cuban papers. Documents required to effect a prompt entry and discharge of cargo in the United States to be furnished by the seller. Party in default in producing necessary papers for entry of sugar shall be liable for demurrage of the vessel and for actual expense incurred.

Payment to be made by the consignee to ——— ——— either in cash on presentation of all necessary shipping documents or at buyer's option by one-day sight draft attached to negotiable bill of lading to seller's order, duly indorsed, for 95 per cent of the invoice, based on net shipping weights and tests, less interest for nine days at the rate of 6 per cent per annum. Any balance to be paid immediately after final settlement of weights and tests, with interest on balance at the rate of 6 per cent per annum from 10 days after date of entry of steamer. If sugar is shipped in sailing vessel payment to be made in cash on presentation of documents after entry of vessel at customhouse, for 95 per cent of the invoice based on net shipping weights and tests, any balance to be paid immediately after final settlement of weights and tests with inerest on said balance as above. All payments to be made in New York or New York exchange.

Samples to be drawn mutually by consignee and seller. Three tests to be made of each sample of sugar, one by seller's public chemist, one by consignee's public chemist and one by the New York Sugar Trade Laboratory. The average of the two nearest polarizations to be taken as the final test. Settlement on each shipment to be made on the final test, with the allowance of one-twentieth of a cent per pound for each degree above the selling basis up to 98°, and one-tenth cent per pound for each degree below the selling basis down to 94°, fractions in proportion. Any marks below 94° test three-twentieths of a cent per pound per degree down, fractions in proportion, but no sugar to be delivered below 93°, unless on discount terms mutually satisfactory to consignee and seller.

Marine and war risk insurance arranged by United States Sugar Equalization Board (Inc.).

——— ———, *Seller.*

Accepted:

——— ——— REFINING Co.,
Consignee.

[Schedule B.]

CONDITIONS OF THE USUAL CONTRACT FORM FOR SHIPMENT TO THE UNITED KINGDOM, FRANCE, AND ITALY.

——— ——— tons (of 2,240 pounds net each) of Cuba centrifugal sugar, fair average quality of the crop.

For shipment.

Free on board steamers at one or two customary safe north side Cuban ports for each cargo.

Basis 96 per cent average outturn polarization. For any excess above 96 per cent one-twentieth of a cent per pound per degree to be added to contract price; for any deficiency below 96 per cent, one-tenth of a cent per pound per degree to be deducted from contract price down to 94 per cent polarization. If any mark or marks polarize below 94 per cent an allowance of three-twentieths of a cent per pound per degree to be deducted in addition to the aforementioned allowance from 96 to 94 per cent, but no sugar to be delivered below 93 per cent.

Fractions in all cases in proportion.

Net landed weights and outturn polarization at port of discharge.

Usual conditions of sampling and polarizing.

Sellers have the option of delivering at one or two customary safe south side Cuban ports. Vessels are to receive sugars as fast as possible and the sellers are to supply the cargoes at not less than 6,000 bags per working day at north side ports and at Cienfuegos and 4,500 bags per day at all other south side ports, in default of which demurrage is to be paid by sellers at the same rate as heretofore.

Sugar to be shipped in vessels to be provided by buyers to load as above. Buyers to give sellers reasonable notice of expected readiness.

Payment to be made by buyers in cash in New York in exchange for complete sets of bills of lading and certificates of origin (old and new forms) immediately upon receipt of a cable from ——— ——— to ——— ———, saying that the documents are in their possession in New York.

Marine insurance from shore to shore, including craft risk loading and discharging, on usual full Lloyd's conditions to be for buyers' account.

War risk, if any, to be for buyers' account.

Any dispute arising out of this contract to be settled by arbitration under the rules of the Sugar Association of London (cane-sugar section), buyers being considered as a refiner.

If sugar shipped to Europe, buyers to give sellers at once copies of such documents as are required by and on forms acceptable to the customs at port of destination, including full details of such consular certificates as are needful. Sellers to have shipping documents made on similar forms as soon as shipment is complete, but they are not to be held responsible for any delays owing to absence of or distant locations of consuls from port of shipment.

In the event of buyers failing to provide tonnage as above they are to reimburse sellers for the actual cost and proved loss of holding over the sugar, including interest at 5 per cent p. a. The provisions of tonnage not to be unduly delayed.

[Exhibit B.]

BASIS OF PROPORTIONATE DISTRIBUTION AS FIXED ON NOVEMBER 4, 1918, AT A MEETING OF THE AMERICAN REFINERS' COMMITTEE OF THE UNITED STATES FOOD ADMINISTRATION.

	Per cent.
American Sugar Refining Co	38.001
Arbuckle Bros	6.613
California & Hawaiian Sugar Refining Co	6.945
Colonial Sugars Co	2.185
Federal Sugar Refining Co	8.645
William Henderson	1.220
Imperial Sugar Refining Co	1.122
The W. J. McCahan Sugar Refining Co	2.489
National Sugar Refining Co	11.940
Pennsylvania Sugar Co	4.537
Revere Sugar Refining Co	2.985
Savannah Sugar Refining Corporation	2.149
Warner Sugar Refining Co	6.187
Western Sugar Refining Co	3.549
The Leon Godchaux Co. (Ltd.)	1.433

AGREEMENT WITH THE UNITED STATES FOOD ADMINISTRATOR AS TO SALE AND DISTRIBUTION OF BEET SUGAR, CROP 1918–19.

This agreement, entered into this 18th day of September, 1918, between Herbert Hoover, United States Food Administrator, acting for and in behalf of the President of the United States, and _____, of _____, State of_____, hereinafter called the producer,

Witnesseth, that:

Whereas the United States Food Administrator, pursuant to an act of Congress, approved August 10, 1917, known as the food control act, has issued, and from time to time continues to issue, rules and regulations relating to the conduct of the business of all persons importing, manufacturing, storing, or distributing sugar; and

Whereas the said Food Administrator is desirous of securing an equitable, fair, and economic distribution of available sugars among the various consuming communities; of minimizing the burdens upon the transportation facilities required for such distribution; and of preventing unjust, unreasonable, unfair, and wasteful commissions, profits, and practices; and

Whereas the United States Food Administrator has urgently requested all producers of beet sugar in the United States to enter into an agreement with him, in order to accomplish the purposes contemplated by said act:

Now, therefore, in consideration of the premises and agreements of the United States Food Administrator hereafter set forth, the undersigned producer hereby agrees:

1. That in selling and distributing beet sugar produced from the crop of 1918–19 it shall observe, respect, and be governed by any and all regulations which said United States Food Administrator, either directly or through his duly appointed Food Administration sugar-distributing committee, may from time to time prescribe under the provisions of said act.

2. That it will ship sugar at such times, to such places, and in such quantities as may be directed by the United States Food Administrator, through the said sugar-distributing committee; that it will route all sugars as directed by that committee; that it will promptly comply with any and all directions for change of destination and route, or for reconsignment; and that it will ship all sugar sight draft attached to bill of lading, unless, at its request, it is otherwise permitted by the sugar-distributing committee. In case such request is made and such permission given, the loss, if any, shall be borne by the requesting producer. *Provided*, That nothing in this agrement shall authorize the United States Food Administrator to direct distribution to a particular individual, firm, or corporation.

3. That it will sell all sugar at not to exceed the basic market price for fine granulated cane sugar in 100-pound bags or barrels at seaboard refining points, as established by the United States Food Administration, plus such prepaid basing freight rates as may be ruling at point of destination on day of sale, or on such other day as shall be directed by the United States Food Administration, less the differential, if any, between cane and beet sugar which may then be in force at point of destination, the said committee being authorized to establish or revoke a differential whenever it may be deemed advisable: *Provided*, That no differential shall be established at any point unless it is established at all other points within the same zone. For the purpose of this agreement the United States shall be divided into such zones as may be approved by the United States Food Administrator; provided, that unless otherwise permitted by the United States Food Administrator, such price shall not exceed the maximum basic price of $9 per 100 pounds at seaboard refining points.

4. That it will not tender for regular trade distribution at ruling market prices any "off sugar," or any sugar which is inferior to standard granulated sugar. That should the producer have inferior sugar in its possession, it shall notify the sugar distributing committee of such fact. After the committee is satisfied that the sugar reported is actually "off sugar," said committee, or the producer itself under the committee's instructions, may dispose of such product at a discount from the ruling market price, the resulting loss to be borne exclusively by the producer.

5. That it will promptly make complete and true reports to the sugar distributing committee of all sales made by it at such intervals and in such forms as may be required by said committee.

6. That it will promptly remit to the sugar distributing committee its proproportionate amount (based upon production) of all expenses actually paid, incurred, or estimated to be incurred by said committee in making the distribution herein provided for.

7. That on the 31st day of December, 1918, and every three months thereafter, the said Food Administration sugar distributing committee will calculate the average net proceeds per pound of sugar then sold and invoiced by all producers who have entered into agreements with the United States Food Administration similar to this agreement, and cause copies of the results of such calculation to be mailed to each of such producers. The difference between such average and the actual amounts paid to the respective producers shall be temporarily adjusted by requiring producers whose actual price is in excess of such calculated average to pay such excess to the United States Food Administrator, or to a representative appointed by him who will distribute such excess proportionately to those producers whose actual price is less than the calculated average.

8. That prior to March 31, 1919, the undersigned, together with all other beet sugar producers who have entered into agreements as aforesaid, will select an adjustment committee of five persons. All producers operating east of the Missouri River shall constitute and be deemed to be a separate group; and all producers operating west of the Missouri River shall constitute and be deemed to be a separate group. Each of these separate groups shall select two members of said adjustment committee, and such four members shall select the remaining fifth member of said committee. Said adjustment committee shall thereupon determine the amount of allowance, if any, per hundred pounds, which shall be paid by one group to the other group, in order to correct any injustice resulting from distribution under this agreement. The adjustment committee shall report their determination to the Food Administration sugar distributing committee, and thereupon said distributing committee shall adjust its calculations in conformity with such determination and all exchange payments between the United States Food Administrator or his representative and the undersigned shall be made in accordance therewith.

9. That at the close of the 1918–19 selling campaign, but not later than August 31, 1919, the said sugar distributing committee shall prepare a final settlement statement showing the actual price per pound of sugar received by each producer, the average net proceeds per pound of sugar resulting from the sale of all sugars constituting the crop of 1918–19, the allowance between groups as determined by the adjustment committee and the amount that each producer should receive for his sugar, based upon such average price and as modified by the adjustment committee; provided that all unsold sugars on hand on August 31, 1919, shall be inventoried in such manner and at such price as the Food Administration sugar distributing committee may direct.

In consideration of the foregoing agreements, the United States Food Administrator agrees:

10. That the President of the United States, acting by and through the said Food Administrator, has appointed a committee of the United States Food Administration to be known as the Food Administration sugar distributing committee, to carry out, subject to his approval, the provisions of said act of Congress so far as they relate to the distribution of beet sugar, which committee is composed of the following persons, to wit: W. L. Petrikin (chairman), W. H. Hannam, S. H. Love, E. C. Howe, S. W. Sinsheimer, H. A. Douglas, W. P. Turner.

11. That he will cause said sugar-distributing committee to direct the distribution of the beet-sugar crop herein referred to in the most economical and efficient method consistent with an equitable distribution of sugar where needed throughout the United States.

12. That the said committee shall establish package differentials for package goods not in excess of differentials for similar package goods established for the cane refiners of the United States; shall from time to time issue and mail to each producer schedules of prepaid basing rates at the different shipping points, to be based on freight rates from seaboard refining points; and shall issue and mail to each producer uniform price lists showing seaboard base price and the terms upon which sugar may be sold, including the differential, if any, between cane and beet sugar. No sale of sugar shall be made by any producer except at the price, differential, and terms stated in the last price list issued. Whenever a

change occurs in price, terms, or differential the said committee shall issue a new price list, which shall not become effective until after a copy thereof has been mailed to and approved by the United States Food Administrator.

13. Nothing in this contract shall require the United States Food Administrator or his representative to make any payments except out of funds paid to him under this contract or similar uniform contracts with other producers.

14. Sugar shall be delivered to the United States Government for Army and Navy uses and for Red Cross, Y. M. C. A., Belgian Relief, Salvation Army, and kindred organizations when and in such amounts as the Government may specify, at prices to be fixed by the United States Food Administrator, and the net proceeds of such sugar shall be included in calculating the general average net proceeds per pound of all sugar sold by producers entering into this agreement.

15. The output of any beet-sugar producer whose output is commandeered by the Government of the United States or the Food Administration for public purposes shall not, so far as it is reasonably possible to prevent the same, be permitted to be handled, sold, or distributed in any manner which will detrimentally affect the markets of the producer or the net proceeds resulting from the sale and distribution of sugar as provided in this agreement.

16. It is understood and agreed by the producer that a violation of any of the terms of this agreement may result in and be cause for revocation of its license.

17. This agreement shall remain in full force and effect from the date hereof until the final disposition of the crop of 1918–19.

It witness whereof the parties hereunto have signed this agreement the day and year first above written.

——— ———,
United States Food Administrator.

——— ———,
Producer.

By ——— ———.

SUPPLEMENTARY AGREEMENT WITH THE UNITED STATES FOOD ADMINISTRATOR AS TO BEET-SUGAR CROP, 1918–19.

This agreement, entered into this 18th day of September, 1918, between Herbert Hoover, United States Food Administrator, acting for and in behalf of the President of the United States, and the ——— Sugar Co., of ———, State of ———, hereinafter called the producer,

Witnesseth, that:

Whereas the parties to this contract have entered into a uniform agreement of even date herewith in regard to the distribution of beet sugar produced from the crop of 1918–19; and

Whereas the producer, together with other eastern producers, is in a special situation as regards distribution:

Now, therefore, in consideration of the premises and of said agreement of even date herewith, it is hereby mutually agreed:

1. That when the adjustment referred to in paragraph 8 of the principal agreement of even date herewith has been made, but in any event prior to March 31, 1919, all producers located east of the Missouri River and entering into a supplementary agreement similar to this, shall select an "eastern adjustment committee" of three persons. Said committee shall consider the location of the various factories among such producers constituting the eastern group, and shall determine whether the same net price per hundred pounds among all the members of said group is in all respects just and equitable.

2. If the committee shall find that such a net price is not just and equitable, it shall then cause proper and equitable deductions or additions to be made from or to the various amounts due and payable to such eastern producers as adjusted and reported by the Food Administration sugar distributing committee.

3. The adjustment committee shall report their determination to the Food Administration sugar distributing committee, which shall adjust its calculations in conformity with such determination, and all exchange payments be-

tween the United States Food Administrator or his representative and the undersigned shall be made in accordance therewith.

In witness whereof, the parties hereto have signed this supplementary agreement the day and year first above written.

———— ————,
United States Food Administrator,

———— ————,
Producer,

By ———— ————.

SEPTEMBER 18, 1918.

AGREEMENT WITH UNITED STATES FOOD ADMINISTRATION AS TO LOUISIANA SUGARS.

This agreement, entered into this ——— day of ———, 1918, between Herbert Hoover, United States Food Administrator, acting in this behalf for the President of the United States, and ——— of ———, hereinafter called the producer,

Witnesseth, that:

Whereas, the United States Food Administrator, pursuant to the act of Congress approved August 10, 1917, known as the food-control act, has issued regulations for the conduct of the business of all persons importing, manufacturing, storing, or distributing sugar, and desires under said act to secure an equitable distribution of the cane sugar crop of the season of 1918–19 and to prevent unjust, unreasonable, unfair, and wasteful commissions, profits, and practices, and

Whereas, the United States Food Administrator has requested all producers of cane sugar in the State of Louisiana to enter into an agreement with him covering the sale and distribution of all cane sugar produced in the State of Louisiana and manufactured for direct consumption, and

Whereas, the United States Food Administrator has appointed a committee of the United States Food Administration to be called the Louisana sugar committee, and, subject to his approval, to superintend the distribution of Louisiana sugar and carry out the provisions of this contract. A majority of said committee shall constitute a quorum and the assent of four members of said committee at a meeting duly called shall be considered the action of the committee. The committee shall be composed of the following persons, and in the event of vacancies occurring the United States Food Administrator shall appoint successors to all such vacancies: R. E. Milling, (chairman), C. D. Kemper, E. J. Gay, J. C. LeBourgeois, W. J. Barkley, E. A. Pharr, E. A. Burguieres.

Whereas the undersigned ———— ———— is a producer of cane sugar and is desirous of aiding and promoting the efficient administration of said act and of securing the purpose contemplated by said act by agreement as authorized by section 2 of the aforesaid act of Congress:

Now, therefore, in consideration of the premises and the agreements of the United States Food Administrator hereafter set forth, the producer hereby agrees:

(1) That in selling and distributing Louisiana cane sugar he will observe and respect and be governed by any and all orders and regulations which said United States Food Administrator, through the said sugar committee, may from time to time make or prescribe, or any general or special regulations issued under the provisions of said act.

(2) That the "basic price" of fine granulated sugar at any time for the purposes of this contract shall be that price which is then determined by the United States Food Administrator under the provisions of his uniform contracts with the sugar refiners of the United States dated October 1, 1917, as the maximum price which may be charged by such refiners for fine granulated in barrels or 100-pound bags f. o. b. seaboard points with the customary discounts, terms and conditions, which contract is on file with the United States Food Administrator and made part hereof by reference; and the basic price of Louisiana sugars shall be such basic price less the following differentials: Plantation granulated, no differential; white clarified, 10 cents per hundredweight; off plantation granulated, 10 cents per hundredweight; off white, 15 cents per hundredweight; choice yellow clarified, 15 cents per hundredweight; prime yellow clarified, 20 cents per hundredweight; kettle, 20 cents per hundredweight; off yellow clarified, 30 cents per hundredweight; seconds and thirds, first group, 80 cents per hundredweight; second group, 90 cents per hundredweight; third group, $1 per hundredweight, fourth group, $1.10 per hundredweight; fifth group, $1.20 per hundredweight.

The differential on all grades of semirefined direct consumption sugars not listed above shall be the differential indicated for sugars of equal grade, or if of an intermediate grade at the differential of the listed grade next below; and the differential on sugars, the grade and price of which can not be thus determined, shall be fixed by the said sugar committee.

The above grades shall be determined with reference to the standard samples thereof as fixed by the New Orleans Sugar and Rice Exchange with the approval of the United States Food Administration and now on file with said exchange. In case of dispute regarding the grade the final decision shall be made by the Louisiana sugar committee.

(3) That unless the aforesaid Louisiana sugar committee permits the sale at a lower price by reason of deterioration, or sets a lower price for any or all grades under the provisions of section 4 hereof, the producer will sell direct consumption sugars manufactured by him at not more than such price as is found to be just and fair by the United States Food Administrator, hereafter called the "maximum price." The said United States Food Administrator agrees that he will not name a price less than the basic price mentioned in section 2 hereof for sugar in barrels or 100-pound bags f. o. b. New Orleans or point of origin carrying the same freight rate as New Orleans: *Provided, however,* That if domestic beet sugar is generally selling at a higher price than the basic price of fine cane granulated sugar, the United States Food Administrator will not name a price less than the price of domestic beet sugar less the differentials named in paragraph 2, provided that if there is a sale to the United States or any of its agencies such price shall not necessarily govern.

That he will sell raw sugar at a price delivered at customary Louisiana refining points not greater than the price which may be found to be just and fair by the United States Food Administrator and not less than the price of duty paid 96° Cuban raw sugar delivered at such refining points.

That he will sell washed sugar (which is defined as any first sugar above the grade of raw sugar, and below the grade of off yellow clarified, and having a color test of not less than 22 Dutch standard) at a price 40 cents above the price of raw sugar as determined by the foregoing paragraph and paragraph 4, with an addition of one-sixteenth of a cent per pound for each degree or fraction thereof above 96° and a deduction of one-tenth of a cent per pound for each degree or fraction thereof below 96°.

(4) The producer further agrees that the said sugar committee, with the approval of the United States Food Administrator, may name a price for any grade or grades of Louisiana sugar from time to time at any figure not greater than the price for such grade or grades which may be fixed as the "maximum price" therefor by the United States Food Administration under paragraph 3 hereof, and that after the prices thus fixed are posted at the New Orleans Sugar and Rice Exchange he will sell the sugar at the price named until changed under the provisions of this contract.

(5) In the event that the producer is required by the United States Food Administrator directly or through said committee to ship sugar to a point carrying a freight rate higher from point of origin to point of destination than that from New Orleans to point of destination the producer may add to the price prescribed under paragraphs 3 and 4 hereof the extra freight, provided that the selling price to the retailer shall not be greater than the maximum authorized selling price of similar sugars at such point to retailers.

(6) (*a*) The producer further agrees that he will ship sugar at such time, to such places, and in such quantities as may be directed by the United States Food Administrator through the said sugar committee, that he will route all sugars as directed by said committee, and that he will promptly comply with all orders for change of destination and route and for reconsignment.

Provided, That if no instructions or directions are given by the said Food Administrator or the sugar committee he may continue to distribute his sugar in the customary manner heretofore existing for the distribution of such sugars, subject to the price provisions of this contract.

Provided, further, That nothing in this contract shall require the producer to ship or dispose of his sugar when prices lower than the "maximum price" named under paragraph 3, less the differentials stated in paragraph 2, are named by the sugar committee under paragraph 4.

(*b*) The producer, unless notified to the contrary, will keep the committee constantly informed of the quantity and grade of sugar that is being produced daily and the disposition of the same.

(7) In consideration of the foregoing agreement, the United States Food Administrator agrees:

(*a*) That he will cause the said sugar committee to direct the disposition of direct consumption sugars in the most economical and efficient method consistent with equitable distribution and the needs of the country.

(*b*) That he will use his best efforts to secure preference in the distribution and sale to local refiners of Louisiana raw sugars manufactured by the producer herein, if the producer is desirous of selling to such refiners.

(*c*) That he will use his best efforts with the proper authorities to secure an adequate supply of railroad cars for the distribution of all Louisiana sugars covered by this contract.

(8) Sugar shall be delivered to the United States Government for Army and Navy uses when and in such amount as the Government may require at prices to be fixed by the United States Food Administrator.

(9) It is understood and agreed by the producer that a willful violation of any of the terms of this agreement may result in and be cause for revocation of his license.

(10) This agreement shall remain in full force and effect from October 1, 1918, and until the final disposition of the crop of the season 1918-19, and for each succeeding year thereafter until the existing state of war between the United States Government and Germany shall have terminated and the fact of such termination shall have been proclaimed by the President of the United States: *Provided,* That either party hereto may withdraw from the contract after the disposition of the crop of 1918-19, by giving a 30 days' written notice to that effect before October 1, 1919; or may withdraw for any subsequent crop year by giving such notice on or before October 1 of that year.

(11) The word "he" wherever used in this contract to indicate the producer, shall refer to such producer, whether an individual, partnership, or corporation, as the case may be.

In witness whereof, the parties hereto have subscribed this agreement on the day and year first above written.

UNITED STATES FOOD ADMINISTRATOR,

By _____

_____

_____

Producer.

_____

ASSIGNMENT TO THE ROYAL COMMISSION ON THE SUGAR SUPPLY BY THE UNITED STATES SUGAR EQUALIZATION BOARD (INC). OF ITS RIGHTS TO ONE-THIRD OF THE SUGAR PURCHASED UNDER AGREEMENT AS TO CUBAN SUGARS CROP 1918–19 DATED OCTOBER 24, 1918.

Whereas on the 24th day of October, 1918, the United States Sugar Equalization Board (Inc.) entered into an agreement as party of the first part with Carlos Manuel de Cespedes, Robert B. Hawley, Manuel Rionda, a Cuban Commission, parties of the second part, and agents of various Cuban producers acting severally for the producers of sugar in the island of Cuba, parties of the third part, under and by the terms of which the seller therein described agreed "on behalf of himself and his principals" to sell and deliver to the buyer (United States Sugar Equalization Board) all the raw sugar produced "by him or his principals in the island of Cuba during the crop season of 1919–19" except that actually used for local consumption in Cuba; and

Whereas by the third paragraph of said agreement right and power was given to the United States Equalization Board to assign said contract without recourse in respect to any part of the sugar contracted for therein as follows:

"The Buyer shall have the right from time to time to assign this contract, without recourse, in respect to any part of the sugar contracted for herein, to the Governments of the United Kingdom, Canada, France, or Italy, or to any duly constituted agency representing all or either of said Governments, or to any sugar refiner of the United States. The Buyer, upon making any such assignment, shall give notice thereof to the Seller"; and

Whereas the United States Sugar Equalization Board (Inc.) has this day agreed to transfer to the Royal Commission on the Sugar Supply, an agency duly authorized to act and now acting in making this purchase on behalf of the Government of Great Britain (not including Canada), France, and Italy, with-

out recourse the rights of the United States Sugar Equalization Board (Inc.), to one-third of all of the raw sugar purchased by the said United States Sugar Equalization Board (Inc.) under the agreement aforesaid of October 24, 1918:

Now, therefore, by this agreement, the United States Sugar Equalization Board (Inc.) does hereby assign to the Royal Commission on the Sugar Supply, without recourse upon the said the United States Sugar Equalization Board (Inc.), its rights to and to have delivered to it one-third of all of the raw sugars purchased by the said United States Sugar Equalization Board (Inc.) (together with any commission upon such one-third of all the raw sugars purchased by the United States Sugar Equalization Board (Inc.), under said agreement of October 24, 1918, to which the United States Sugar Equalization Board (Inc.) would be entitled under said agreement) under the agreement of October 24, 1918, aforesaid, at the respective prices for delivery f. o. b. northside and southside Cuban ports, and upon the terms therein stated.

A condition of this assignment is the right of the Royal Commission on the Sugar Supply at its option to take 321,000 tons, or any part thereof, of the one-third of the Cuban crop hereby assigned for shipment to the United States for refining purposes on the cost and freight terms of paragraph 2, section 2 of page 3 of the Cuban contract dated October 24, 1918.

And the said the Royal Commission on the Sugar Supply as to such one-third of the raw sugars from Cuba as aforesaid does hereby accept said assignment and agree to and does hereby assume as to said one-third of the sugars aforesaid all of the payments, duties, and obligations of the said United States Sugar Equalization Board (Inc.) under the agreement of October 24, 1918, aforesaid.

Said agreement of October 24, 1918, is made a part hereof.

Witness the signature of the United States Sugar Equalization Board (Inc.) by George M. Rolph, its president, and the seal thereof hereto affixed duly attached by H. H. Bundy, its secretary, and witness the signature of the Royal Commission on the Sugar Supply of the United Kingdom of Great Britain by J. Ramsey Drake, this ——— day of December, 1918.

THE UNITED STATES SUGAR EQUALIZATION BOARD (INC.),
By ——— ———
President.
Attest: ——— ———
Secretary.
THE ROYAL COMMISSION ON THE SUGAR SUPPLY,
By ——— ———

OPTION GIVEN TO ROYAL COMMISSION ON THE SUGAR SUPPLY BY REFINERS OF THE UNITED STATES FOR THE REFINING OF 321,000 TONS CUBAN RAW SUGAR.

NOVEMBER 22, 1918.

THE ROYAL COMMISSION ON THE SUGAR SUPPLY,
London, England.

GENTLEMEN: We are advised by Mr. George M. Rolph, the head of the Sugar Division of the United States Food Administration and President of the United States Sugar Equalization Board (Inc.), that you have made arrangements with the latter company for the assignment by it to you of a portion of the Cuban sugar crop for 1918–19 and that such arrangements are made with the approval of the Food Administration. We also understand that with the approval of the Food Administration and with a view to securing a supply of refined sugar for distribution to the United Kingdom, France, and Italy you are considering the advisability of having a part of your purchase refined in the United States.

At the present writing, we are negotiating with the United States Sugar Equalization Board looking toward the purchase of our requirements of raw sugar for the period up to December 31, 1919, and the sale of the same at an agreed margin.

Accordingly, therefore, in consideration of the margin to be paid to us as hereinafter set forth we, sugar refiners of the United States, at the request of the United States Equalization Board (Inc.), severally agree to give and do hereby give to your commission the option of having refined in our refining plants during the year 1919 up to 321,000 tons of Cuban raw sugar of the crop of 1918–19 to produce an equivalent quantity up to 300,000 tons of refined sugar, upon the following terms and conditions:

Quantity and option.—Three hundred thousand tons refined granulated sugar at the rate of 27,275 tons monthly beginning February 1, 1919, and if

option for any month is not exercised, the total quantity is automatically reduced by the amount so not taken in any month.

Declaration of option.—By 60 days' written or cable notice to the American refiners' committee previous to first day of month in which refined is to be delivered except for deliveries during February, 1919, for which the declaration of the option must be made before January 1, 1919.

Delivery of raws.—That to the extent that the Royal Commission on the Sugar Supply exercises its option to take American refined sugar, an equivalent quantity of Cuban raws shall be transferred by the Royal Commission on the Sugar Supply to the American refiners through the American refiners' committee on the basis of paragraph 2, section 2, of page 3 of the Cuban contract dated October 24, 1918.

Selling price of refined.—The price of refined sugar delivered in customary packages will be the cost and freight price of the raw sugar delivered at refinery, plus insurance, duty, and the refiners' margin in effect for domestic business as approved by the United States Sugar Equalization Board (Inc.) at the date of shipment, less a drawback allowance of 1 cent per pound, said drawback allowance and price subject to any change in United States custom laws or in the event of an export, or excise tax or any Government action which would alter the refiners' margin herein agreed upon, as more particularly stated in printed form of refined sugar export contract attached.

Tonnages.—Tonnage to load refined shall be furnished promptly by you and within the period for delivery of refined referred to in any notice of your availing yourselves of any part of the option herein given. If tonnage is not so provided you shall compensate us for interest, insurance, and storage, or at our option we shall have the privilege of sending the sugar to store for account, expense and risk of the Royal Commission on the Sugar Supply.

Shipment to be made subject to terms of refined sugar export contract, a copy of which is hereto annexed and marked Schedule A.

Releases from responsibility.—Both your commission and ourselves shall be relieved from any liability hereunder if prevented from carrying out our obligations by acts of God or from causes beyond our control.

Ports of shipment.—You shall take the refined sugar at any of the following ports as may be directed by us: Boston, New York, Philadelphia, Savannah, New Orleans.

We hereby severally accept and agree to be bound by the foregoing option for our pro rata portion of said option as set forth in the percentage named. If the percentages named do not total 100 per cent we agree that the percentages for the refiners signing this option shall be raised pro rata to make this option good for 100 per cent delivery.

THE AMERICAN SUGAR REFINING CO. (38,001 per cent).
By——— ———.

THE NATIONAL SUGAR REFINING CO. OF NEW JERSEY (11.94 per cent).
By——— ———.

ARBUCKLE BROS. (6.613 per cent).
By——— ———.

WARNER SUGAR REFINING CO. (6.187 per cent).
By——— ———.

COLONIAL SUGARS CO. (2.185 per cent).
By——— ———.

FEDERAL SUGAR REFINING CO. (8.645 per cent).
By——— ———.

WM. HENDERSON (1.220 per cent).
By——— ———.

THE W. J. MCCAHAN SUGAR REFINING CO. (2.489 per cent).
By——— ———.

PENNSYLVANIA SUGAR CO. (4.537 per cent).
By——— ———.

REVERE SUGAR REFINERY (2.985 per cent).
By——— ———.

SAVANNAH SUGAR REFINING CORPORATION (2.149 per cent).
By——— ———.

LEON GODGHAUX CO. (1.433 per cent).
By——— ———.

Approved.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.).
By——— ———,
President.

REFINED SUGAR EXPORT CONTRACT WITH THE ROYAL COMMISSION ON THE SUGAR SUPPLY.

The ——— Sugar Refining Co. has sold, and the Royal Commission on the Eugar Supply, London, England, has purchased ———, bags of 100 pounds each, of fine granulated sugar, packed in regular 100 pound bags at ——— cents per pound, net cash, f. o. b. steamer, stevedoring to be borne by ship. This price is subject to any change in export price that may be ruling on date of shipment.

Invoice payable in New York on presentation of shipping documents; drawback payable to the Sugar Refining Co.

The Royal Commission on the Sugar Supply agrees to pay to the ——— Sugar Refining Co. the sum of $1 for each customhouse entry which may be necessary on this contract.

Delivery to commence ——— at ———.

Deliveries: The Royal Commission on the Sugar Supply agrees that on lots of 2,500 tons or more that the steamer will load at the wharf designated by refinery provided steamer can always safely load afloat.

The Royal Commission on the Sugar Supply further agrees that steamer will load at two refineries provided that quantities of not less than 2,500 tons are loaded at each refinery and provided that steamer can always safely load afloat. Expense of moving to be for account of vessel. Time lost in moving to be for account of sellers, provided steamer is moved promptly after loading is completed at the first berth. In case demurrage is incurred, the time lost in moving shall be for account of each seller in the proportion that his part of the cargo bears to the whole. If, through the disability of the wharf designated by the refinery, it is impossible to safely berth steamer, then the refinery must deliver the cargo to a loading berth appointed by steamer, within lighterage limits of the loading port, in which case all lightering expense to be for refinery account.

If the refinery is able to load steamer, subject to foregoing provisions, but the steamer elects for its own convenience not to go to the wharf designated by the refinery, but to load at its own pier, then the lighterage expenses at cost shall be for buyers' account.

The Royal Commissioun on the Sugar Supply agrees to give the seller at least seven days' notice of approximate date of arrival of vessel, whenever possible. In the event of not receiving notice the refinery shall not be held for damages, but will make all possible effort to furnish the sugars required.

Date of delivery: Delivery on full-cargo lots to be made at minimum rate of 1,000 tons of 2,240 pounds per weather working day, Sundays and holidays excepted. Any demurrage incurred to be charged for at 48 cents per gross registered ton of steamer per day.

Steamer's lay-days to count from the time the steamer is in berth ready to load. Any time lost by steamer through berth being occupied on arrival thereat or through awaiting shippers' instructions after steamer reports within the customary working hours of the port ready for cargo, to be for seller's account.

Part cargoes: Part cargoes, that is, lots of less than 2,500 tons delivered by one refinery, may be delivered to steamer at its own wharf or at the refinery wharf where the steamer is receiving the minimum quantity of 2,500 tons, at the option of the refineries.

Delivery by lighter: The steamer to have three weather working days, Sundays and holidays excepted, free for discharge of lighters. Time to count from the time the lighter captain gives written notice to the clerk of the steamer of lighter's arrival alongside. As far as possible, the buyer is to give the seller at least seven days' notice of the approximate arrival of all vessels. In case of delay of vessels, demurrage on lighters if incurred, shall begin five days from date on which buyer advises seller that vessel will receive cargo.

No demurrage will be charged by steamer in case the steamer has alongside sugar from one or more refineries sufficient to load 1,000 tons of 2,240 pounds per day.

Any lighterage expense resulting from steamer's failure to take delivery of full quantity ordered, to be for buyer's account.

The demurrage on lighters to be charged to buyers at cost, but claims must be presented in accordance with custom of the port.

In consideration of ——— passing the customhouse entry and carrying the drawback, the Royal Commission on the Sugar Supply hereby agrees to furnish customhouse bill of lading and landing certificate free of charge, these to be delivered promptly to the customhouse department of ———.

Any necessary consular certificates or expense for viséing any documents to be for buyer's account.

If ——— is unable to collect the drawback through any neglect on buyer's part to fulfill the foregoing agreement, buyer agrees to reimburse it promptly in full for the amount of said drawback.

This sale is based on present rate of duty, and present laws as to drawback. If seller is unable, by reason of legislation, to collect the full amount of duty paid on any of the sugar delivered under this contract by way of drawback, the buyer agrees to pay the seller, in addition to the contract price, an amount equal to such duty which seller is unable to collect.

All additional duties, excises, or other taxes hereafter levied or assessed on the raw or refined sugar necessary to fill this contract to be at buyer's expense in addition to the price specified.

The seller will not be responsible for any delivery under this contract, if prevented or delayed by war conditions, strikes, labor difficulties, accidents, embargo, fire, or any other cause beyond its control, or if seller's supply of raw material shall be interrupted by any such cause. In such case, the obligation to deliver under this contract is canceled to such an extent as deliveries shall be prevented or interrupted thereby and no liability shall be imposed upon the seller for damages resulting therefrom.

The sale is made subject to the seller's ability to secure an export permit if such permit is required.

Brokerage of 3 cents per 100 pounds to be paid.

Accepted:

——— ———, *Seller.*

Accepted:

——— ———, *Buyer.*

SUPPLEMENTARY OPTION GIVEN TO THE ROYAL COMMISSION ON THE SUGAR SUPPLY BY THE REFINERS OF THE UNITED STATES FOR THE REFINING OF 214,000 TONS ADDITIONAL CUBAN RAW SUGAR.

APRIL 30, 1919.

ROYAL COMMISSION ON THE SUGAR SUPPLY,
London, England.

GENTLEMEN: Referring to letter of February 27 from your representative, Mr. J. R. Bruce, wherein you requested the American refiners' committee to increase the tonnage of refined sugar under the option of November 22, 1918, from 300,000 to 400,000 tons, and to his letter of April 17, wherein you requested a further increase of the tonnage of refined sugar in the said option agreement to a total of 500,000 tons of refined sugar, we hereby confirm the increase in the quantity of refined sugar that may be called for from 300,000 to 500,000 tons, upon the terms and in accordance with the conditions of the said contract of November 22, 1918.

And we hereby severally accept and agree to be bound by the foregoing option for our pro rata portion of said option as set forth in the percentage set opposite our names. If the percentages named do not total 100 per cent we agree that the percentages for the refiners signing this option shall be raised pro rata to make this option good for 100 per cent delivery.

THE AMERICAN SUGAR REFINING CO. (38.001 per cent).
By ——— ———.
THE NATIONAL SUGAR REFINING CO. OF NEW JERSEY (11.94 per cent).
By ——— ———.
ARBUCKLE BROS. (6.613 per cent).
By ——— ———.
WARNER SUGAR REFINING CO. (6.187 per cent).
By ——— ———.
COLONIAL SUGARS CO. (2.185 per cent).
By ——— ———.
FEDERAL SUGAR REFINING CO. (8.645 per cent).
By ——— ———.
WM. HENDERSON (1.220 per cent).
By ——— ———.
THE W. J. MCCAHAN SUGAR REFINING CO. (2.489 per cent).
By ——— ———.
PENNSYLVANIA SUGAR CO. (4.537 per cent).
By ——— ———.
REVERE SUGAR REFINERY (2.985 per cent).
By ——— ———.
SAVANNAH SUGAR REFINING CORPORATION (2.149 per cent).
By ——— ———.
LEON GODCHAUX CO. (1.443 per cent).
By ——— ———.

Approved:

UNITED STATES SUGAR EQUALIZATION BOARD (INC.).
By ——— ———, *President.*

United States Sugar Equalization Board (Inc.), statistical department.

[Total shipments of Royal Commission sugar as of Sept. 27, 1919.]

Refinery.	Allocations.		Shipped to Sept. 20.	Tons over to June 30, July option.	Tons short, June 30.	Amounts on steamers loading.	Amounts by steamers declared but not loaded.
	Raw to June 30.	Refined to June 30.					
	Tons.	*Tons.*	*Tons.*			*Tons.*	*Tons.*
American	148,650	138,925	136,710	.....	2,215	5,000	4,955
Arbuckle	25,969	24,270	26,690	2,420	.....	.....	.....
Colonial	8,400	7,850	4,050	.....	3,800	.....	.....
Federal	33,651	31,450	31,960	510	.....	1,610	1,500
Godchaux	5,639	5,270	3,670	.....	1,600	.....	.....
Henderson	4,696	4,390	2,890	.....	1,500	.....	1,500
National	46,866	43,800	43,220	.....	580	1,100	5,610
Pennsylvania	17,789	16,625	13,843	.....	2,782	.....	.....
Revere	11,663	10,900	6,900	.....	4,000	.....	.....
Savannah	8,400	7,850	5,450	.....	2,400	.....	.....
Warner	24,257	22,670	21,228	.....	1,442	.....	1,050
Total	335,980	314,000	296,611	2,930	20,319	7,710	14,6

Amount reported shipped during week, 12,800 tons. Last blank issued Aug. 9.

Senator KEYES. Mr. Chairman, I would like to ask a question for information right here.

Senator MCNARY. Certainly.

Senator KEYES. As the result of the setting aside of this 38 cents per 100 pounds the Government must have accumulated some substantial fund; has it not?

Mr. ZABRISKIE. We have accumulated something over $30,000,000.

Mr. GLASGOW. And that sum is held for the United States, subject to the obligations which the Sugar Equalization Board has now or may have in the future; is that right?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. You can not state exactly what that amount will be that will be recovered into the Treasury of the United States with the permission of the Congress, because from time to time in order to maintain a uniform price of 9 cents per pound for sugar throughout the United States to consumers, wholesale, it is necessary for you to absorb freight, or for you to buy sugar at one price and to sell it at a lower price in order to maintain this uniform price?

Mr. ZABRISKIE. Yes; and that is what we are doing now.

Mr. GLASGOW. One of the purposes of the organization of this board was to have throughout the United States a uniform price for sugar.

Mr. ZABRISKIE. Yes, sir. For instance, we find that out of the one-third taken over by the British royal commission there are some 50,000 tons of sugar still in Cuba which they may not be able to lift within the next two or three months.

Senator MCNARY. That is the crop of 1919?

Mr. ZABRISKIE. That is the present crop. So that in order to help relieve the situation here, we are now negotiating with the royal commission, with the hope of getting that 50,000 tons of sugar up here. It may be that we will have to pay a profit to the royal commission, which we are bound to absorb because we could not very well bring 50,000 tons up from Cuba, along with 500,000 tons of our own, and have a different price to go to the consumer.

Another way we are trying to relieve the situation is with the new crop of beets. We have zoned the United States, so that from the 15th of October, when the Idaho, Colorado, and Utah beets will be available, we figure that they will take care of the sugar requirements west of Chicago.

Senator MCNARY. The beets from those three States?

Mr. ZABRISKIE. From the three States of Idaho, Colorado, and Utah.

And after the 1st of November the Michigan and Ohio beets will be available so that they can take care of the territory west of the Buffalo and Pittsburgh line. That leaves the Cuban and Porto Rican sugars that will come in to be refined by eastern refiners to care for the requirements after the 1st of November and up to the 1st of January for that territory east of Buffalo and Pittsburgh.

Senator RANSDELL. And how far south?

Mr. ZABRISKIE. All the way down.

Now, we are going then to find a different price arrangement—and I do not think that any criticism could come to the board with that different price arrangement in the different States. The beet-sugar people figure that they can not sell at less than 10 cents a

pound. East of Pittsburgh and Buffalo the price will be maintained at 9 cents from the refiners up to the end of the year. But if there is not enough sugar coming up to permit that 9 cent sugar getting very far west and if there were 9 cent sugar drifting into Chicago and 10 cent sugar going to Chicago, there isn't any question but what the consumer would pay on the 10-cent basis for everything he gets. But if we keep the Cuban and Rorto Rican sugar east, where we can supervise it, we can be very sure that the consumer will get the advantage and that the amount of sugar will be sufficient to take care of the requirements.

Mr. GLASGOW. The situation which you apprehend may come, will be that west of the Buffalo and Pittsburgh line when the beet sugar comes in, the basic price instead of being 9 cents a pound may be 10 cents a pound, based upon the representations of the beet-sugar people that they have to get 10 cents a pound in order to come out?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And east of the Buffalo and Pittsburgh line the basic price of 9 cents a pound will continue?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. To the 31st day of December?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. Is that due to the fact that you have a contract with Cuba up to the 31st of December at a basic price which enables you to sell at 9 cents?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. But you have no such contract with the beet-sugar producers, whose crop comes in after the 15th of October?

Mr. ZABRISKIE. That is correct.

Mr. GLASGOW. And it would be due to the fact that there is no contract with the beet-sugar people by which you could hold the price down to 9 cents?

Mr. ZABRISKIE. Yes, sir; or with the Louisiana cane producers.

Senator RANSDELL. You spoke about the beet sugar; what about the Louisiana cane sugar?

Mr. ZABRISKIE. It occupies exactly the same position as the beet sugar.

Mr. GLASGOW. So that on that basis they would get 10 cents, the same as the beet-sugar people?

Mr. ZABRISKIE. I very much fear, Senator Ransdell, that Louisiana cane sugar will not sell as low as 10 cents. And I do not think the Louisianans can be charged with profiteering. If they were unable to sell their crop last year on a basis of 9 cents, on a purchase of some 250,000 tons; this year, with their production almost cut in half—I do not think they will raise more than 100,000 tons——

Senator RANSDELL (interposing). You do not?

Mr. ZABRISKIE. No, sir; not from our reports. So that they certainly——

Senator RANSDELL (interposing). They can not afford to sell for 10 cents?

Mr. ZABRISKIE. They can not afford to sell for 10 cents.

Senator RANSDELL. The beet-sugar people, if I am correctly informed, are making about their normal production, something like 700,000 tons.

Mr. ZABRISKIE. The beet-sugar production will be about 100,000 tons more than last year.

Senator RANSDELL. It will?

Mr. ZABRISKIE. Yes. And there will be the normal supply from these two sources, because the excess of beets is about taken up by the loss in Louisiana cane.

Senator RANSDELL. I see. And while the beet-sugar people probably can come out at the price of 10 cents, you say the Louisiana cane people can not?

Mr. ZABRISKIE. I do not believe they can.

Mr. GLASGOW. When the board was first organized, and after it had completed its contract with the Cuban Government for the entire crop, and had made its sale of one-third thereof to the royal commission, was there anxiety inside the board that there would not be enough sugar to go around, or was it thought that they might have difficulty in disposing of the two-thirds of the Cuban crop which the board bought?

Mr. ZABRISKIE. The board was very much concerned in March and April.

Senator MCNARY. Of what year?

Mr. ZABRISKIE. This year, 1919.

There was no real inducement on the part of the wholesale grocer, or the manufacturer, throughout the United States to lay in adequate supplies, or to look ahead, because the Food Administration had established the margin of profit. There was no speculative profit for the man to buy when sugar was in full supply and sell when it might be in great demand, so that throughout the United States supplies of sugar were allowed to run down by the wholesale grocers so that sugar backed up on the part of the refiners. One refiner had something like $50,000,000 tied up in sugar and they were all concerned; we were concerned. We took the sugar from Porto Rico that was pressing on the market at an expense of some $60,000, and held that sugar on lighters until it could be made available.

Mr. GLASGOW. So that in the early period, say March and April, 1919, the entire anxiety of the board and of the refiners was whether they would be able to dispose of the enormous amount of sugar they had bought.

Mr. ZABRISKIE. That is correct.

Mr. GLASGOW. When did it first develop that there was any lack of sugar for consumption in the quantity that the people might desire throughout the United States?

Mr. ZABRISKIE. About the last of June or first part of July refiners began to notice their stocks depleting. There was no thought of scarcity at that time; that did not begin to shape up until pretty well on in July. Then we got to the point where the capacity of the refineries—and the business of the refiner is only limited by his capacity; and one of the strange things about the industry is that the refining capacity of the United States is not twice the normal requirements, not much more than one and one-half times the normal requirements. So that the refiners must anticipate their wants in times of plenitude of sugar for that time when they may have an excessive demand—that is, the preserving season.

Mr GLASGOW. Now, from the time when you made the contract and delivered it again, the board took, in accordance with the con-

tract, the flow of sugar from Cuba as provided in the contract up to the time when there was an interruption in that flow from Cuba; and when was that?

Mr. ZABRISKIE. That was in the marine strike that happened in August. I think it was a matter of about six weeks when it was not possible to get sugar up in the normal way. The sugar arrived and upon discharge thereof the boat tied up. We did everything possible to relieve the situation. We worked with the Shipping Board and through the radio held up some ships that were coming over from Gibraltar, and ships coming to New York were sent down to Cuba and brought up our sugar.

Mr. GLASGOW. That continued for six weeks?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And that was perhaps the first time that the refiners and the United States Equalization Board found any difficulty in supplying the wants of the trade throughout the country?

Mr. ZABRISKIE. That was the first real indication of an excessive demand, a demand greater than it was possible for us to supply.

Mr. GLASGOW. Then, after the marine strike that you referred to was finished, which was about the first of September or middle of September, did sugar commence to come in then in volume as the contract provided?

Mr. ZABRISKIE. Yes; immediately after the strike, and sugar has been arriving and been refined at an average rate of 80,000 to 85,000 tons a week. That is right up to capacity. We have had one or two light interruptions because of a ship being lost now and then, but we have not gone below 70,000 tons a week; and we have refined up to capacity.

Mr. GLASGOW. Now, after the flow of sugar was reestablished, and it commenced to come in in the volume which you speak of, did the demand decrease in any way?

Mr. ZABRISKIE. No, sir.

Mr. GLASGOW. Did it increase?

Mr. ZABRISKIE. The demand increased, and we think that the slight scarcity during the marine strike accentuated the demand. Then, on top of that is the fear or apprehension that after the first of the year higher prices may obtain. So that every manufacturer and everybody who can buy sugar is buying it now while present prices prevail.

Senator RANSDELL. What causes that fear; can you say?

Mr. ZABRISKIE. I think that it is known. We all know that there is a shortage, the world over. We know that Germany and Austria will not raise anything like their normal requirements; they could not. The cultivation of beets in a country requires much man power.

Mr. GLASGOW. There is that apprehension that there may be increased prices?

Mr. ZABRISKIE. There is that apprehension.

Mr. GLASGOW. Then, as a result, also, with the increased use of soft drinks the demand for sugar has grown to this extent?

Mr. ZABRISKIE. Yes, and in addition the increased consumption of confections.

Mr. GLASGOW. But, as a mater of fact, the demand for sugar from all sources these explanations you are giving are throwing some light

upon, and the demand for sugar has just been greater than the capacity of the refiners, based upon the sugar they get from Cuba to supply?

Mr. ZABRISKIE. Absolutely.

Senator MCNARY. You say you fear the increase in price after January 1. Do you think a great many are buying, including the wholesalers, and holding it up to that date, so that the sugar that is going out now is not being consumed but much of it being hoarded in anticipation of a higher price?

Mr. ZABRISKIE. Some of it; but not much.

Senator MCNARY. Is that confined to the dealers?

Mr. ZABRISKIE. No; that is the consumers.

Senator MCNARY. I mean all of those factors?

Mr. ZABRISKIE. To get down to the concrete and compare it with last year: In the first quarter of this year there has been consumed 1,053,000 tons against 917,000 tons last year, and for the first six months 2,120,000 tons as against 1,900,000 tons last year; and for the first nine months—that brings us right up to date—there have been consumed 2,884,000 tons as against 2,499,000 tons last year.

Mr. GLASGOW. In other words, you are speaking now of what goes into the domestic trade?

Mr. ZABRISKIE. Into domestic consumption.

Mr. GLASGOW. It does not refer to exports of sugar, but to the domestic trade?

Mr. ZABRISKIE. That is right.

Senator MCNARY. But does that include actual consumption, or does the element of storing enter into it?

Mr. ZABRISKIE. The element of storing does enter into this.

Mr. GLASGOW. But it is what went out to the domestic trade?

Mr. ZABRISKIE. To the domestic trade.

Senator MCNARY. Do you think increased consumption has any connection with the prohibition that obtains throughout the country?

Mr. ZABRISKIE. That is an element. We found in the Food Administration that when we took alcohol away from a soldier that he craved sweet things.

Mr. GLASGOW. The result of that is that up to the present time, whatever may be the reason for it—and you have tried to give some explanations—there is going into the domestic trade for this year something over 400,000 tons of sugar more than went into the domestic trade for the like period last year, and something over 300,000 tons more than ever went into the domestic trade in the United States for the like period.

Mr. ZABRISKIE. That is correct, and there was more than 200,000 tons available for the rest of the year more than has ever been had in the United States for the same period.

Mr. GLASGOW. As I understand you, in order to try to tide the situation over you have endeavored and have secured some beet sugar for distribution, with an agreement to replace it after the first of the year?

Mr. ZABRISKIE. We have even done that.

Mr. GLASGOW. You are also trying to negotiate for 50,000 tons extra that Great Britain had that she probably would not want left over in Cuba?

Mr. ZABRISKIE. Or she may not be able to take.

Mr. GLASGOW. And, tell the committee, Mr. Zabriskie, whether you have and whether the board has done everything possible to discover and find sugar everywhere that they could bring it in for the use of the public here.

Mr. ZABRISKIE. We think we have. There has not been any sugar available anywhere that we know anything about that we have not endeavored to procure. There will be some sugar come in in small amounts from Venezuela probably the middle of November, and we may get some from the small Central American States.

Senator MCNARY. I want to ask you, on the point of your endeavor to relieve the situation by acquiring the new supplies of sugar, if this board was authorized to act under the Food Administration, and if it came into existence under the proclamation of the President, and if at that time did he not authorize you to acquire the Cuban crop of 1919, or did you have the authority by reason of the creation of your body to do that?

Mr. GLASGOW. That is a question of law, if you will let me answer.

Senator MCNARY. Yes.

Mr. GLASGOW. The United States Equalization Board was incorporated under the laws of Delaware as an ordinary commercial corporation, the capital stock being $5,000,000, which the President furnished out of his emergency fund. By the terms of its charter that corporation would have been authorized to go down to Cuba and purchase the crop and then make a refiners' agreement as far as its charter was concerned. It was felt that an ordinary commercial corporation might get into trouble if it did that, under the Sherman Antitrust Act, and therefore it was brought closer to the United States Government as a function of that Government; and the President directed that the Sugar Equalization Board purchase the 1919 crop of Cuban sugar, and the Food Administrator, reserving to himself in the refiners' agreements certain powers of domestic distribution, became a party to the agreement with the refiners for the purchase of that sugar, thereby relieving it of any embarrassment under the Sherman Act.

Senator MCNARY. Judge, on that point, what I want to develop is this: The President suggested to this Sugar Equalization Board that they should acquire this crop?

Mr. GLASGOW. Yes.

Senator MCNARY. Did you have the legal authority to acquire the crop without any authorization from the President?

Mr. GLASGOW. I would not like to answer that. I can say that it would not have been done without that.

Senator MCNARY. I am asking that as preliminary to this question: Would it not save the situation at this time and improve conditions if you should now or had in the past acquired the Cuban crop for 1920?

Mr. GLASGOW. There is some difference of opinion on that subject, sir.

Senator MCNARY. And would you have the authority to acquire that without action of the President?

Mr. GLASGOW. It would not be done, because, in the first place, the President is the entire stockholder of this concern.

Senator McNARY. That is, this board would not function in that regard unless requested by the president?

Mr. GLASGOW. I think the President has established the policy of the country, and the board would not feel—Mr. Zabriskie can state, as he is the president—but I do not think the board would feel like going ahead and doing that without the determination of its policy by the President.

Senator McNARY. I want to ask Mr. Zabriskie this: Has the board ever requested the President to authorize the purchase of the Cuban crop of 1920?

Mr. GLASGOW. Mr. Chairman, on behalf of Mr. Zabriskie and all of us, we want to give you everything we have got. But would it be entirely within the lines of propriety for him to give out the communications, or any one, he had with the President; or would it be better for the President to do it?

Senator RANSDELL. I am inclined to think it would be better for the President to give that out.

Mr. GLASGOW. I have not the slightest objection to giving anybody in the world anything we have got, but I just want to protect ourselves and Mr. Zabriskie.

Senator McNARY. I did not know I was treading on sensitive ground.

Mr. GLASGOW. It is not at all.

Senator McNARY. This is the situation in which the public is interested—that is, knowing how to act in order to better conditions, and a great many people can be found who will contend that the proper thing to do is to go and take the Cuban crop. It has been reported by some that the board has been derelict and has not requested the President to act, and by others that he has refused to act. Now, we are trying to fix the responsibility, and if it is thought well that he should act and he refuses to act then the Congress will have imposed upon it the duty to take some legislative action of its own, and that is the reason I want to know. It is one of the very material points, without asking you for any confidential communications.

Mr. GLASGOW. The only thing is that if you tell us it is within the lines of propriety, I am perfectly delighted to comply.

Senator McNARY. I do not see why it is not. I do not see why anybody should be shielded or protected. I do not feel that the President should care.

Mr. GLASGOW. I do not feel that way. It is only a question of the propriety. We want to do the proper thing.

Senator NcNARY. I think that should be developed, that is, to inquire if that sugar is to be acquired, and it has not been, and there is every reason to consider "whether the Sugar Equalization Board should be continued in its present capacity"——

Mr. GLASGOW (interposing). Mr. Chairman, you will understand that we are not approaching this in any spirit of recalcitrancy at all.

Senator McNARY. I appreciate that fact.

Mr. GLASGOW. It is just a question of what we ought to do, and we are perfectly willing to submit that to you gentlemen to determine.

Senator RANSDELL. I would like to have a little conference before we pursue that phase of the case.

Mr. GLASGOW. Suppose I go along, meantime?

Senator RANSDELL. We can bring it out later, Mr. Chairman, if it is decided that we must do that.

Mr. GLASGOW. Do not put us in the position of desiring to withhold anything at all; we are not.

Mr. Zabriskie, a demand, which you have described as a very abnormal demand, exists to-day in the United States, does it not?

Mr. ZABRISKIE. Yes, sir; it does.

Mr. GLASGOW. Will you tell us what the board has done in connection with the refiners, in order to try to make an equitable apportionment to all the people of the United States of such sugar as is available for distribution in the domestic trade and market?

Mr. ZABRISKIE. We have established a distribution committee, so that all refiners each morning lay the orders that they expect to ship that day on the table for supervision of this committee, so that duplication of orders will be prevented. So, also, that in accordance with the letter that the board wrote the refiners that the less essentials be curtailed in their allotments of sugar, we have asked the distribution committee to operate along the lines of the Food Administration's regulations, which cut down the allotments to manufacturers of candies, etc., to 50 per cent of their last year's needs, and the soft drink manufacturers also, and to give preference to the hospitals, the manufacturers of medicinal supplies, condensed milk, and preservers of fruit, etc. That committee reviews every day the orders that come in, and if they find, we will say, a refiner has got orders for shipment to Altoona and there are four or five or seven or eight cars going to Altoona, they cut that down to one or two. In that way it makes for equitable distribution.

Mr. GLASGOW. As I understand that distribution, this committee are requested to make, on behalf of the refiners and at the request of the food administrator and the equalization board, regardless of any contracts which may now be in existence for the sale to any specific manufacturer or user of any specific quantity.

Mr. ZABRISKIE. And that has relation to the Senator's mention of about hoarding, so that any manufacturer who has the foresight to book up six months ahead may have his contracts cut down.

Mr. GLASGOW. That is about as I understand, Mr. Zabriskie, as general and accurate a factor of the activities of the United States Sugar Equalization Board as you can give?

Mr. ZABRISKIE. I think so.

Senator MCNARY. The Congressional Record contains this significant statement, which to my mind is the heart of the whole controversy, under date of September 27—a statement made in connection with this resolution [reading]:

> Early in August the Sugar Equalization Board called to the attention of the President the critical situation confronting the consumer of sugar and advised at that time that the Sugar Equalization Board control be extended to cover the beet-sugar crop of 1919 and the Cuban cane crop of 1920 in order to provide an equitable distribution and price control and prevent speculation in sugars, which would naturally prevail on a short supply. On September 1 the equalization board could have made contracts with the beet-sugar refiners to sell their entire crop at 10 cents per pound; also with the Cuban planters on the same basis, making refined sugar 10 cents seaboard instead of 9 cents for this year's crop.

It is the belief and the charge of many of those who have been officially connected with the control and distribution of the sugar supply that owing to the Executive's failure to act and extend this control beet-sugar refiners are asking 11½ cents for beet sugar to-day f. o. b. refinery, and the stock of raw sugar will be exhausted in four weeks and refiners will be out of sugar in November and December, resulting in a serious shortage and sugar famine for the entire eastern half of the country. In the meantime foreign buyers have contracted for 25 per cent of the Cuban crop for 1920 and our refiners in this country have not contracted for a single pound, awaiting the President's decision as to a further control, and unless immediate action is taken in this matter foreign buyers will buy 50 per cent of the Cuban crop, which will result in a sugar famine and extreme shortage in this country all of next year, which will result in high prices and cause speculation.

That is the public record; it is the charge made that you people can relieve the situation by functioning and buying the Cuban crop.

Mr. GLASGOW. Mr. Chairman, it ought to be said that there is a great deal of difference of opinion as to what is going to happen next year. That is true, is it not, Mr. Zabriskie?

Mr. ZABRISKIE. Yes.

Mr. GLASGOW. The prospect is for higher-priced sugar, but it is impossible to tell at the present time exactly what will be the situation.

Senator KEYES. You are kind enough to tell us what will likely happen next year. But can you tell us something about what will happen now; that is what we are interested in.

Mr. GLASGOW. I was just going to say, regarding this sugar that has been acquired up to December 31, that we have a contract for Cuban sugar.

Mr. Zabriskie, there is one thing I failed to ask you in this matter of distribution and provision made by the equalization board for the consumers in the United States covering the beet sugar and Louisiana cane and Cuban raw sugar. Was the Porto Rican sugar also brought in?

Mr. ZABRISKIE. All.

Mr. GLASGOW. Did the Sugar Equalization Board buy that also?

Mr. ZABRISKIE. We purchased all of the sugar that was available. Our report says that Porto Rico exported elsewhere a matter of perhaps 10,000 or 15,000 tons.

Mr. GLASGOW. Now, then, as to the Hawaiian sugar, did that come in also?

Mr. ZABRISKIE. It all came into the United States.

Mr. GLASGOW. Did any part of the two-thirds of the sugar that was brought from Cuba go anywhere else than to the United States, or will it go anywhere else?

Mr. ZABRISKIE. There was a matter of about 150,000 tons that was sold by the equalization board in the shape of raw sugar primarily and chiefly to France, that was sold at a time when we very much feared we would have too much sugar, at a time when supplies were piling up and when there was no demand for it. Immediately that we felt that there would be an opportunity of marketing all of the sugar that we had contracted for, we stopped the sale of sugar and notified the refiners not to export.

Senator MCNARY. Have you bought any of the Cuban crop of 1920?

Mr. ZABRISKIE. The equalization board have not bought any.

Senator MCNARY. I am speaking of the board.

Mr. GLASGOW. Some refiners have bought.

Senator MCNARY. You have not bought any of the Cuban crop of 1920 or beet crop?

Mr. ZABRISKIE. We have not.

Senator MCNARY. How many refiners and to what extent have American purchases been made in Cuba?

Mr. ZABRISKIE. We do happen to know that one refiner has made a purchase of 100,000 tons, and that probably 200,000 or 300,000 tons have already been purchased by American refiners.

Senator RANDSELL. Do you know at what price?

Mr. ZABRISKIE. I think the price was 6½ cents.

Mr. GLASGOW. About 1 cent greater than it was last year?

Senator MCNARY. What percentages of purchase have been made by foreign countries of the Cuban crop of 1920?

Mr. ZABRISKIE. That would be a mere guess.

Senator MCNARY. Can you give a guess?

Mr. ZABRISKIE. We do know that they have purchased pretty freely, probably 400,000 tons.

Senator MCNARY. Is it too early to anticipate the prospective production in Cuba?

Mr. ZABRISKIE. It is estimated at about 4,300,000 tons.

Senator MCNARY. Then the foreigners have bought just a little in excess of one-tenth of the crop?

Mr. ZABRISKIE. I think they have purchased more than that. When we purchased this crop we thought it was 4,000,000 tons, and then it was estimated at 4,100,000 tons, and now it is down to 9,350,000 tons.

Mr. GLASGOW. When you sold that 150,000 tons, it was when the high estimate of 4,100,000 tons for the Cuban crop was made?

Mr. ZABRISKIE. It was.

Mr. GLASGOW. And you stopped selling as soon as that estimate dropped below 4,000,000?

Mr. ZABRISKIE. Yes, sir.

Senator GAY. I would like to know if you have information of any sugar being exported from this country at the present time?

Mr. ZABRISKIE. In small amounts, sugar is being exported by second hands; but we have no power of embargo on that.

Senator MCNARY. Under your present policy in purchasing no sugar for 1920, either cane or beet, you will cease to function or in any way control the situation in January, 1920?

Mr. ZABRISKIE. We will; things will go back to normal.

Senator MCNARY. Is that, then, the best thing to do?

Mr. ZABRISKIE. That gets us right back where we were.

Senator MCNARY. I think, as chairman, I am going to insist upon the development of this most critical situation. We are here in the interest of the American people, and there is no one to protect them if we do not.

Mr. GLASGOW. I am perfectly willing to give it, but——

Senator MCNARY. I think we should have it.

Mr. GLASGOW. I am willing to give it, if you gentlemen will but tell us we ought to do it.

Senator MCNARY. You are here to give the facts pertaining to this thing. We are here trying to find out the exact situation in behalf of the American people. I do not know, but it occurs to me that the thing you people ought to do is to go ahead and acquire the 1920 crop, and I have no doubt the President, if that matter is presented to him by this committee, or upon reflection, will authorize you, if he has not. I think no one wants to cause any harm to anyone, and I know of no one who has higher respect for the President and his judgment than I have.

Mr. GLASGOW. Mr. Zabriskie, did you receive a communication, as president of the Sugar Equalization Board, from the representatives of the Cuban Government and the representatives of the Cuban producers, suggesting negotiations for the purchase by the Sugar Equalization Board of the crop of 1920?

Mr. ZABRISKIE. We did.

Mr. GLASGOW. Will you kindly read that into the record; it is not very long?

Mr. ZABRISKIE. If I may do so, Mr. Chairman.

Senator MCNARY. Yes; you may.

Mr. ZABRISKIE. We had several communications with representatives of that Government. Then, on July 29, we had this communication with reference to the president of the equalization board.

Mr. GLASGOW. Just read it, beginning with your title as president.

Mr. ZABRISKIE (reading):

GEORGE A. ZABRISKIE,
President Equalization Board,
112 Wall Street, New York City.

DEAR SIR: In pursuance of the informal discussions conducted between the subscribers, speaking by authority for the Cuban Government, the members of the equalization board, as the purchasers and distributors of Cuba's sugar crop for the existing year, we deem it expedient to submit for your information, and as far as you may determine, for your action in continuing the control and disposition of Cuba's crop of sugar for the ensuing year 1920.

In presenting our suggestions, while acting directly for the Cubar sugar producer, we accept the grave responsibility of speaking scarcely less for the American consumer, and for that vast army of foreign consumers whose needs are of such concern to the American Government.

Fortunately for every interest involved the great bulk of sugar required by importing countries is provided by the island of Cuba—but she takes no note of this "coin of vantage"—on the other hand, the island Republic, its hacendados and farmers, and manufacturers of sugar tender through its own Government, providing it meets with the consent and cooperation of the American Government, the entire wealth of her production under such terms as may be agreed upon by the contracting parties at a price moderate, but compensating to the producer and well within the economic reach of the consumer.

This is the fundamental basis upon which our tender is made.

If accepted through the continued life and active participation of your respected board—or similar body—the whole question would be greatly simplified. If, on the contrary, the opportunity to serve—not the American people alone but the universal welfare is for any reason, technical or otherwise, not availed of through one medium or another, there is not a community anywhere in America, in Europe, or Asia that will not feel the consequences of our failure to provide a stable price for this most necessary article of human consumption.

Cuba approaches this question with full recognition of her relations to the American people and their Government and in the spirit of comity and desire for a complete understanding.

We await with unflagging interest your reply, the subject of which we are assured is to you, as it is to us, the most momentous in the world's economy of to-day.

With assurances of great respect,

Faithfully, yours,

R. B. HAWLEY,
MANUEL RIONDA.

Mr. GLASGOW. And they were the representatives of the Cuban Government, and also the representatives of the producer?

Mr. ZABRISKIE. Yes; they were the representatives of whom Mr. Hoover and the equalization board dealt with, I think, generally for the 1919 crop.

Mr. GLASGOW. Mr. Zabriskie, after receiving that communication from the Cuban representatives, did the board consider the question?

Mr. ZABRISKIE. The board discussed this question, as we all felt it was one of the most important things that we could discuss at that time.

Mr. GLASGOW. Did the board have at that time a Dr. Alonzo E. Taylor, who had been in Europe and all around over the Central Empires or Central Governments?

Mr. ZABRISKIE. It did.

Mr. GLASGOW. Did he come to the board and discuss that with them?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And give them information as to the conditions over there?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And his conclusion seemed to be that there was not a great apprehension of the European Governments buying the sugar in Cuba, was it not?

Mr. ZABRISKIE. He felt it was altogether to depend on the law of supply and demand; that the buying powers of Europe would be necessarily limited.

Mr. GLASGOW. His idea seemed to be that they were in no position to buy Cuban sugar?

Mr. ZABRISKIE. Absolutely.

Mr. GLASGOW. Then, did the board consider this suggestion of the Cuban representatives fully?

Mr. ZABRISKIE. It did, very.

Mr. GLASGOW. Did it communicate the letter to the President with any suggestion or review of the situation?

Mr. ZABRISKIE. It did.

Mr. GLASGOW. And have you a copy of that letter with the memorandum?

Mr. ZABRISKIE. This is the letter that went to the President on the 14th of August [reading]:

AUGUST 14, 1919.

DEAR MR. PRESIDENT: The Sugar Equalization Board is in receipt of a letter under date of July 29 from the Cuban commissioners, tendering to the American Government the Cuban sugar crop for 1920.

We deem it advisable that the Cuban commission should be advised at an early date as to whether our Government proposes to con ider this tender. The authority of this board does not extend beyond the purchase and dis-

tribution of this year's sugar crop, and we venture to suggest the control of sugar for the coming year must now be determined.

I am inclosing herewith a memorandum setting forth the sugar situation as it exists and such information as we possess concerning the prospects for the coming year and other points for your consideration in advising this board as to the policy you desire to be pursued.

The officers of the board are prepared to furnish you with any further information that you may desire.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.),
——— ———, *President.*

The PRESIDENT OF THE UNITED STATES,
The White House, Washington, D. C.

Mr. GLASGOW. Then follows the memorandum which the board authorized, reviewing the situation, and with the suggestions which the board had.

Senator MCNARY. May that go into the record?

Mr. GLASGOW. I was going to ask if you want that read?

Senator RAMSDELL. I would like to have it read.

Senator MCNARY. Very well.

Mr. ZABRISKIE [reading]:

MEMORANDUM.

The United States Sugar Equalization Board (Inc.) was incorporated on the 12th day of July, 1918, under the laws of the State of Delaware. The organization of the equalization board was accomplished under the approval of the President of the United States, who subscribed for $5,000,000 of its capital stock (being the entire stock issued), which is now and has at all times been held for and on behalf of the United States.

The plan of the Food Administration for regulation and control of the price of sugar and the distribution thereof for the year 1917-18 in the United States in view of the necessity for stimulation of production of domestic sugar was not considered entirely sufficient for the year 1918-19, and thereupon it was concluded that the equalization board (under the approval of the President) should endeavor to purchase the entire crop of 1918-19 Cuban sugar and thereby insure a regular and sufficient supply of sugar to the people of the United States at a reasonable price under then existing conditions.

It must at all times be borne in mind that Cuban sugar is the main reliance of the people of the United States for their annual sugar supply, and while beet sugar and Louisiana cane is produced in the United States, and the United States gets sugar from Hawaii and other of its possessions, yet the sugar from all such sources is entirely insufficient to meet the normal requirements of the people of the United States, and Cuban sugar has been and, so far as can now be seen, will remain the largest single source of supply for the people of the United States for their annual requirements.

On the 24th day of October, 1918, the equalization board entered into a contract with representatives of the Cuban Government and agents of various Cuban producers of sugar in the island of Cuba under which the equalization board purchased substantially all the raw sugar produced in the island of Cuba during the crop season of 1918–19, a copy of which contract is hereto attached marked "Exhibit A."

The Sugar Equalization Board being duly authorized by said contract, resold one-third of the Cuban raw sugar purchased by it as aforesaid, to the royal commission of the United Kingdom, for the use of it and its allies and at the same price at which the raw sugar was purchased under the contract aforesaid. A copy of the contract of sale to the royal commission is hereto attached marked "Exhibit B."

In furtherance of its plan of securing regular and sufficient supplies of sugar to the American people and the Army and Navy, at a reasonable price, even during the disorganized period of world trade, the equalization board, on October 24, 1918, entered into a contract with the refiners of sugar in the United States and Herbert Hoover, as United States Food Administrator, under which the refiners agreed to purchase, and the equalization board agreed to sell to the refiners their entire requirements of raw sugar for the

operation of their refineries for the period beginning October 24, 1918, and ending December 31, 1919, and the refiners agreed not to purchase any raw sugar from any person, country, or source of supply, during said period, other than from the equalization board. The price to be paid by the refiners for the raw sugar is 7.28 cents per pound, 96° average polarization (duty, if any, paid) delivered at refinery, and the refiners to sell all sugar refined by them at a price not more than 1.54 cents per pound wholesale of refined sugar, f. o. b. refinery, above the price of 7.28 cents per pound paid to the equalization board, the result being a wholesale price of sugar throughout the United States of not exceeding 9 cents per pound at refining points. A copy of said contract is hereto attached marked "Exhibit C."

It will be observed that under the terms of this contract such refiner agrees to conduct his or its export business under the direction of the equalization board and to export or distribute to the domestic trade such proportion of its refined sugars as the equalization board may direct.

This contract was submitted to the Attorney General and his opinion was received to the effect that the contract was not in violation of any law of the United States.

By their terms, the three contracts aforesaid expire on the 31st day of December, 1919. In view of the fact that the equalization board was incorporated and entered into the contracts aforesaid with the approval of the President of the United States, and that the entire stock of the equalization board is held by him for and in behalf of the United States, the members of the board of directors of the equalization board deem it proper to submit to the President this memorandum.

1. By its purchase of the Cuban raw sugar the equalization board has been able to assure, up to this time, to the American people a regular and sufficient supply of refined sugar, and at a wholesale price not exceeding 9 cents per pound at refining points, being the lowest price for refined sugar in any country in the world. Occasional and temporary local shortages have occurred, due principally to the interruption of regular shipments of raw sugar from Cuba during the recent marine strike, which occurred at the period of highest consumption.

2. Out of the price at which the raw sugar was sold to the refiners, the equalization board has, up to this time, accumulated reserves of about $30,000,000, which belong to the United States, and but for the contracts aforesaid the equalization board believes that the price for refined sugar to the American people would have been much higher and much more would have gone to the Cuban producers, the refiners, or to speculators, at the expense of the American people.

3. There is to-day a world shortage of sugar. Demands are made from Europe and even from Japan for sugar which it is impossible to fill without creating a serious shortage in the United States, and from the information that the equalization board has been able to secure, it seems probable that the world sugar shortage for 1920 will be more acute than for the year 1919.

4. A copy of the letter of July 29 from the Cuban commission tendering to the United States Government the Cuban crop for 1920 is attached hereto marked "Exhibit D."

Conditions are so abnormal and the prospect of securing a regular supply of sugar at a reasonable price for the people of the United States for the year 1920 is so uncertain that the equalization board concludes, from a commercial point of view, that its duty requires it to suggest to the President that, in reply to the communication from the representatives of Cuban producers, negotiations be entered into for the purpose of securing the sugar required for the necessities of the people of the United States for the year 1920 from Cuba under somewhat the same arrangements as the equalization board was able to make with the Cuban commissioners and producers and the refiners in the United States for the year ending December 31, 1919. This suggestion is made entirely from our consideration of the sugar situation from the standpoint of assuring the American people a regular supply at a reasonable price and, of course, is subject to the general policy of the Government as to the advisability of continuing control and regulation of food commodities.

Mr. GLASGOW. Mr. Zabriskie, was the board unanimous in adopting that memorandum?

Mr. ZABRISKIE. The board was not unanimous.

Mr. GLASGOW. Was there a dissent filed with that memorandum by anybody?

Mr. ZABRISKIE. There was a dissent filed by Dr. Taussig.

Mr. GLASGOW. Dr. F. W. Taussig?

Mr. ZABRISKIE. Yes, sir; the head of the tariff commission.

Mr. GLASGOW. Will you please read the dissent that he sent with it?

Mr. ZABRISKIE. I do not know whether I have that.

Senator MCNARY. You may have the privilege of printing it in the record if you have not it right with you.

Mr. GLASGOW. I think it may be well for your information.

Senator RANSDELL. If it is not here we can put it into the record later.

Mr. ZABRISKIE. I think I have it here. I have it. Shall I read it?

Mr. GLASGOW. Yes.

Senator MCNARY. Yes; you may read it.

Mr. ZABRISKIE. Dr. Taussig sends the letter to me with this inclosed [reading]:

MEMORANDUM.

I regret not to be able to reach the same conclusion as the other members of the Sugar Equalization Board. I believe that no negotiation should be entered in with the Cuban producers, and that the regulation and restriction of sugar prices should cease with the close of the present arrangement, December 31.

It is true that the evidence now available points to a shortage of sugar in 1920 and to a possibility of prices in that year as high as those of 1919, or even higher. But no certain conclusions can be reached about the future. Prices of sugar will be affected not only by the incoming supplies, but by the general political and monetary conditions of the whole world. The general level of prices in the United States and in other countries may be lower than it is now. Consumption may be reduced by changes in general business conditions or by restrictive measures in importing countries. The present recommendation of the board is that the United States (through the board) should repeat a huge commercial venture, in the hope of protecting consumers and of incurring no loss, but with the clear possibility of having to assume a loss. The operation would involve a guarantee by the Government of extremely high profits to the Cuban sugar planters, and also a virtual guarantee of similar profits to our beet-sugar producers as well as to the planters of Louisiana, Hawaii, and Porto Rico. It would necessarily lead to contracts with the sugar refiners which would guarantee good profits to them also. No doubt in the absence of Government regulation all these producers might make profits higher still; but prediction as to the outcome one way or the other can not be made with any confidence. Business of this kind may be undertaken by the Government under stress of war, but should cease now that we are at peace.

Moreover, the regulation of the price of sugar can not in my judgment stand alone. The whole relation of government to industry in time of peace is involved. If the price of sugar is to be specifically controlled, so should that of bread, of meat, of clothing. In the main we must look for a remedy to the natural development of production and to the return of the entire world to normal financial and economical conditions.

Senator RANSDELL. May I ask right there who were the members of the board besides Dr. Taussig and yourself at that time?

Senator MCNARY. Judge Glasgow was a member.

Mr. GLASGOW. Theodore F. Whitmarsh, Mr. George A. Zabriskie, Mr. Edgar Rickard, who is the acting Food Administrator, Dr. Taussig, Mr. Clarence Wooley, of the War Trade Board, who was not present, however——

Mr. ZABRISKIE (interposing). And Mr. Shattuck?

Mr. GLASGOW. And Mr. E. Edward Shattuck, of New York; he is counsel for the Grain Corporation, also.

Mr. ZABRISKIE. And Herbert Hoover.

Mr. GLASGOW. And Herbert Hoover, who was not present at the meeting; but I was present.

Senator MCNARY. That is, a board of seven?

Senator RANSDELL. You are a member also, Mr. Glasgow?

Mr. GLASGOW. Yes, sir. And Mr. DeLima, the president of a bank in New York is the treasurer of that company.

And then, Mr. Zabriskie, were you informed that the President was considering carefully this communication?

Mr. ZABRISKIE. We had word from Mr. Tumulty that our letter was before him.

Mr. GLASGOW. And that he was considering it?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And then did the Cuban representatives advise you of the withdrawal of that offer or proposition?

Mr. ZABRISKIE. Well, before that time we ourselves felt that the delay in hearing from the White House might cause a little embarrassment, so that we wrote on the 20th of September——

Senator MCNARY. This last month?

Mr. GLASGOW. A week or 10 days ago:

Mr. ZABRISKIE (reading):

SEPTEMBER 20, 1919.

The PRESIDENT OF THE UNITED STATES.
Washington, D. C.

MY DEAR MR. PRESIDENT: Referring now to my letter to you of the 14th day of August inclosing the report from the board of directors of the United States Sugar Equalization Board (Inc.), and also referring to you a letter from the representatives of the Cuban Government and producers of sugar, in reference to the Cuban crop of raw sugars for the year 1919–20, I desire to respectfully bring to your attention the fact that the time is fast approaching, if it has not arrived, when we will be unable to control the Cuban crop of sugar for the year 1919–20 unless action is taken at once.

I am informed that a considerable tonnage of Cuban sugars of the crop of 1919–20 has already been sold, and it seems entirely probable that the representatives of the Cuban sugar will withdraw their proposition unless some action is taken at once.

May I, therefore, respectfully ask an early determination of the policy which the United States Sugar Equalization Board (Inc.) is to pursue with reference to the matter referred to in my letter of the 14th day of August. I know the pressure you are under, and nothing but imperative necessity could make me add this matter to your burdens.

Very respectfully,

GEORGE A. ZABRISKIE, *President.*

To that we had an acknowledgment from Mr. Rudolph Forster, executive secretary, saying—this is dated September 20 [reading]:

THE WHITE HOUSE,
Washington, September 22, 1919.

MY DEAR SIR: Allow me to acknowledge the receipt of your letter of September 20 and to say that I shall bring it to the attention of the President at the first favorable opportunity.

Sincerely, yours,

RUDOLPH FORSTER,
Executive Secretary.

Mr. GEORGE A. ZABRISKIE,
President U. S. Sugar Equalization Board (Inc.),
111 Wall Street, New York City.

Mr. GLASGOW. Did you have a communication from the representatives of Cuba?

Mr. ZABRISKIE. Three days after that.

Senator MCNARY. That would be the 23d.

Mr. ZABRISKIE. We received a letter from the Cuban representatives, signed by Mr. R. B. Hawley and Mr. Manuel Rionda.

Senator RANSDELL. What is the date of that?

Mr. ZABRISKIE. That is September 22.

Mr. GLASGOW. In which they withdrew?

Mr. ZABRISKIE. In which they withdrew.

Senator RANSDELL. What does that letter say?

Mr. ZABRISKIE. It is addressed to me as chairman of the equalization board [reading]:

THE CUBAN-AMERICAN SUGAR CO.,
New York, September 22, 1919.

Mr. GEORGE A. ZABRISKIE,
Chairman Equalization Board, New York City.

DEAR SIR: We beg leave to refer to our letter bearing date of July 29, 1919, copy of which we inclose. As you will observe by its terms, we were pleased at that time to inform your respected board that the Republic of Cuba, its haciendados and farmers and manufacturers of sugar, acting through us in a representative capacity, were willing to tender to you or a similar body the entire production of Cuba on such terms as might be agreed upon by the contracting parties, at a price moderate but compensating to the producer and well within the economic reach of the consumer, always provided that this offer met with the full consent and cooperation of the United States Government.

In the interval that has transpired we have awaited your answer, confidently believing that the United States Government would undertake the continued control of sugar, and every interest concerned, especially the American consumer, would experience the advantage of a stabilized market. Unfortunately, the logic of the situation has not impressed the Government, or in keeping with its traditional policy—the war being over—it is thought best to permit the market to be ruled by the natural law of supply and demand.

While we had hoped for a different conclusion to the negotiations put forward by Cuba, with the wealth of production represented by her producers, we reluctantly accept the situation now existing and return the authority under which we were acting. The spirit of the times is so fraught with speculation that wide fluctuations must inevitably ensue, but whatever developments may occur, speaking now only for ourselves, and whatever influence we may exert, we shall employ our best efforts in helping to maintain a conservative situation.

With assurances of great respect,
Faithfully, yours,

R. S. HAWLEY.
MANUEL RIONDA.

Mr. GLASGOW. That was also signed by——

Mr. ZABRISKIE. It was signed by Mr. Hawley and Mr. Rionda. That letter we sent to the President also.

Mr. GLASGOW. On what date?

Mr. ZABRISKIE. September 23, and we wrote the President as follows [reading]:

SEPTEMBER 23, 1919.

The PRESIDENT OF THE UNITED STATES,
The White House, Washington, D. C.

MY DEAR MR. PRESIDENT: The inclosed copy of a letter from Messrs. Hawley and Rionda, representing the sugar producers of Cuba, is self-explanatory, and in view of the fact that about one-third of the Cuban crop of next year has since been disposed of for export to countries other than the United States, we believe that the situation is out of hand.

Therefore in order to protect the interests of the American consumer we have advised American refiners as to conditions, so that they may purchase raw sugar as per prewar times.

Very respectfully,

GEORGE A. ZABRISKIE,
President United States Sugar Equalization Board (Inc.).

Mr. GLASGOW. That was signed by——

Mr. ZABRISKIE. It was signed by George A. Zabriskie, president.

Senator MCNARY. You offered some records a little earlier in the morning. Could you have them all inserted at this point?

Mr. ZABRISKIE. I gave the other papers to the stenographer who preceded the one who is now writing.

Mr. GLASGOW. Mr. Zabriskie, it was contemplated by the board that in case it was desirable to make a contract with Cuban producers, that we would have to have some additional legislation authorizing the exercise of certain powers by the equalization board; that is true, is it not?

Mr. ZABRISKIE. We felt so.

Mr. GLASGOW. And under the law as it stands to-day, with the failing of the food act, with the proclamation of peace, there would have to be additional powers granted in order to carry it through.

Mr. ZABRISKIE. We thought so.

Senator MCNARY. Because, as you understand it, the food act automatically expires on the signing of the treaty of peace?

Mr. GLASGOW. With the proclamation.

Senator RANSDELL. Sixty days after the signing of the proclamation, I think. It goes out with the signing of the proclamation.

Mr. ZABRISKIE. Mr. Chairman, there is one point I would like to clear up. When we wrote that letter, the royal commission was negotiating with Cuba, which would account for the fact that we mentioned such a large proportion as one-third. At that time the royal commission were negotiating for some 300,000 or 400,000 tons. That deal has not been consummated yet.

Senator RANSDELL. So you do not know whether one-third has been contracted for to date?

Mr. ZABRISKIE. No; but at that time we were advised it had been closed. We learned since that Great Britain had purchased the Mauritius crop and was trying to get herself in a better trading position, so that she could go after Cuba.

Senator RANSDELL. Personally, I suppose the disposition of the officials of the equalization board and of all of the members of the board is to wind it up on the 23d of December, if possible?

Mr. ZABRISKIE. There is no question about that.

Senator MCNARY. Right on that point, are you sure, Judge Glasgow——

Mr. GLASGOW (interposing). I was just going to ask one or two further questions, if you will permit.

Senator MCNARY. Certainly.

Mr. GLASGOW. Do you think it is possible now that if action were taken at once that an arrangement could be made for the purchase of the crop of Cuban sugar, which has not already been sold?

Mr. ZABRISKIE. I think that it would be difficult. I wrote to the President that I thought it was out of hand.

Mr. GLASGOW. In order to carry out the plan that the board has been operating under for the year 1919, it was necessary to have the cooperation of the best producers as well as the Louisiana producers of sugar?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. Do you think it possible that we may yet be able to make some arrangements with the beet producers of sugar?

Mr. ZABRISKIE. I think that we may with the beet producers, but I do not think that we could with the Louisiana producers.

Mr. GLASGOW. The Louisiana crop——

Mr. ZABRISKIE (interposing). Is small.

Mr. GLASGOW. Their 100,000 to 125,000 tons could probably be taken care of under some arrangement?

Mr. ZABRISKIE. Probably. But the Cuban crop, we do not want to forget, has been withdrawn.

Mr. GLASGEW. There is just one other thing: I think that some of the Government reports, probably the Department of Commerce, shows certain exports of sugar, probably to the royal commission in England. Has there been any export of sugar from the United States to the royal commission other than in the form of refined sugar, which was a part of the raw stock which they had purchased in Cuba and which had been refined in the United States?

Mr. ZABRISKIE. No.

Mr. GLASGOW. So that if it is shown there have been exports by the United States to the royal commission, that is raw sugar which the royal commission bought in Cuba and had refined by our refiners here?

Mr. ZABRISKIE. That simply afforded opportunity for American industry to operate, and the exports on the part of the royal commission is part of their one-third of the crop.

Mr. GLASGOW. I want to ask one other question, and then I am through. Under the arrangement which the Sugar Equalization Board made and has carried out, the Cuban producer was satisfied that the price he got was a stimulative price?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. The Louisiana producer was satisfied that the price he got was a stimulative price, and the beet sugar producer was satisfied, the Porto Ricans were satisfied, and the Hawaiians were satisfied, and the basic price that sugar has been maintained at not to exceed 8 or 9 cents per pound wholesale of refined sugar; is that the situation?

Mr. ZABRISKIE. That is correct.

Senator MCNARY. In the proposal submitted to you by these gentlemen representing the Cuban Government and the growers for the 1920 crop, what was the amount in cents per pound you would have paid for the crop of 1920 to the producer?

Mr. ZABRISKIE. There was no price agreed upon or even mentioned.

Senator MCNARY. How were you to arrange the price to be paid?

Mr. ZABRISKIE. Just as we did a year ago, which was by negotiation.

Senator MCNARY. This is anticipatory, but do you believe that you could get it at practically the same figure as for 1919?

Mr. ZABRISKIE. No; we would have to pay a little more.

Senator McNARY. A little more?

Mr. ZABRISKIE. Yes, sir.

Senator McNARY. Could you estimate that, Mr. Zabriskie.

Mr. ZABRISKIE. Well, during the summer I remember of writing to Mr. Hoover that I thought it could be purchased at not over 6½ cents.

Mr. GLASGOW. But you had nothing, as I understand, from the Cubans to indicate that?

Mr. ZABRISKIE. That is a subject of negotiations.

Senator McNARY. Now, following up your idea that it is too late for legislation of a corrective nature——

Mr. ZABRISKIE (interposing). I do not say it is "too late"—I say it is late.

Senator McNARY. Very well, we will omit the qualifying word. Do you know at what price this sugar is sold to the European countries for the crop of 1920?

Mr. ZABRISKIE. I think the trades have all been made at between 6½ and 7 cents.

Senator McNARY. Do you know whether, if legislation were quickly enacted—and I concur with Judge Glasgow that some will be needed—that the balance of the crop could be had at practically those figures?

Mr. ZABRISKIE That is a difficult question.

Senator McNARY. Can you express an opinion on that?

Mr. ZABRISKIE. I think the disposition of the Cuban producers is entirely friendly. I think that the banking element down there would like very much to see something of the sort. As to the price, whether it would be 6½ or 7 cents or whatever, that would be problematical.

Mr. GLASGOW. And nobody who has ever dealt on the sugar question with Cuba would venture to make a definite statement.

Senator McNARY. In order that we may know and the Senate may know the situation, let me ask whether, if legislation authorizing the purchase of this crop were prepared and passed expeditiously, you extend the hope that you could acquire this crop at a reasonable figure which would prevent the price soaring to the consuming American public?

Mr. ZABRISKIE. I do think so.

Mr. GLASGOW. I hope so, anyway.

Senator McNARY. Would you, then, understanding the situation as you do and having all these facts in hand, which you so clearly demonstrate here to-day, advise Congress to enact appropriate legislation, giving the board this authority——

Mr. GLASGOW (interposing). We went as far as we could in that memorandum.

Senator McNARY. I go a great deal on your judgment, and I would like to know if you think it is advisable for Congress to take action?

Mr. ZABRISKIE. As to the situation being so very acute, there is not any better way of judging the future than by the past. We have had situations when the sugar has been controlled by other countries and not controlled here. Dr. Taussig was very strong in his opinion that the buying power of Europe was so much curtailed that our refiners here, acting independently, might be able to hold

the situation for the American consumer, and that is why he felt obligated to notify the refiners when there seemed to be no disposition on the part of this Government.

Senator McNARY. Mr. Zabriskie, without the purchase of the crop from Cuba, which would give this country the right to largely control the price, do you think that an uncontrolled market such as you have indicated might occur, or will occur, unless legislation is enacted, will cause the price to go up to the consumer?

Mr. ZABRISKIE. My impression is very much so.

Senator McNARY. Quite considerably, or mildly?

Mr. ZABRISKIE. Quite considerably during the months of January, February, and March.

Mr. GLASGOW. Mr. Chairman, as far as the board are concerned their recommendation was pretty carefully figured out, and you get the combined suggestion of the board that negotiations be entered into for the purpose of securing the sugar required "for the people of the United States for the year 1920 is so uncertain that the Equalization Board concludes from a commercial point of view that its duty requires it to suggest to the President that, in reply to the communication from the representative of Cuban producers, negotiations be entered into for the purpose of securing the sugar required for the necessities of the people of the United States for the year 1920 from Cuba under somewhat the same arrangements as the equalization board was able to make."

Senator McNARY. But, Judge, that was the expression at that time. I thought days or weeks had changed the matter somewhat, in view of Mr. Zabriskie's letter to the refiners.

Mr. GLASGOW. I think, Mr. Zabriskie, that the refiners in the United States would probably want some additional refining margin, based, as they claim, on increased expenses, but I think they would be glad to cooperate upon any stabilization of price and avoid speculation; is not that your view?

Mr. ZABRISKIE. We already have, from a number of large refiners, their agreeableness to cooperate.

Mr. GLASGOW. And do you not think it is a fact that the representatives of the Cuban Government and producers would much prefer to see a stabilized price, assuring a generous profit to them, rather than to have a speculative market which might follow?

Mr. ZABRISKIE. They would.

Senator RANSDELL. At any rate, it would have to be at a pretty considerable advance over the price for the current year?

Mr. GLASGOW. I think so, Senator.

Senator RANSDELL. Have you any idea how much that would be?

Mr. ZABRISKIE. We thought 1 cent.

Mr. GLASGOW. At least, we hoped we might hold it down.

Mr. ZABRISKIE. We hoped we might be able to buy this crop in Cuba at 6½ cents.

Senator RANSDELL. Do you still hope that?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And we hope also, I might say—Mr. Zabriskie, did we not hope we might be able to cut down the freight rate somewhat on the raw sugar from Cuba and perhaps by shrinking some of the profits of the Sugar Equalization Board? Our hope was then to

keep the price not to exceed 1 cent per pound, but we had no assurance.

Senator McNARY. Mr. Zabriskie, what is the date of the farthest removed time when action of this kind could be taken?

Mr. ZABRISKIE. Mr. Chairman, the crop has been withdrawn by the Cubans, and in all probability any action on the part of this Government now would cause them to elevate their ideas about the sugar price; but there is also on the other side a disposition on the part of the planters of Cuba not to see this price go too high and bring about all sorts of speculation, from a personal, selfish point of view. The large producers would not like to encourage competition in other countries that can easily produce sugar in volume. So that is what we have to bring to bear if negotiations were again to be entered into.

Senator McNARY. That hardly answers my question. There are a great many important questions before Congress. If legislation of this kind is proposed the question at once arises, must it come up for immediate consideration, or could it bide its time?

Mr. ZABRISKIE. The only way to obviate any difficulty would be for the board of equalization, or some one else, to get an option on that Cuban crop; whether that can be done——

Mr. GLASGOW (interposing). There are difficulties. The beet crop in Colorado and that tier of States begins coming in in October; the beet crop of Michigan begins to come in along about the 1st of November. The prices that are then fixed will have a very decided influence on what we will be able to do with Cuba. Isn't that a fact?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. I don't know exactly when the Louisiana crop begins to come in.

Mr. RANSDELL. They begin to manufacture in the latter part of this month, I think. Is that right, Judge Martin?

Mr. MARTIN. I think so; this month and in November.

Mr. GLASGOW. I should say, if anything was to be done it should be done at once.

Senator RANSDELL. I think it is quite important at this point to get Judge Glasgow's judgment on what legislation should be enacted.

Mr. GLASGOW. I have not figured that out.

Senator RANSDELL. Whether the whole subject of food legislation should come up, or just the question on sugar.

Mr. GLASGOW. No, sir; but the power of import or export embargo we certainly ought to have control of; and just at the moment we have that power, I think we could probably get along; Mr. Zabriskie, don't you?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. But that, I think, would be essential.

Senator RANSDELL. I don't think there would be very much trouble getting a provision through limited to that; but you gentlemen know how much trouble there is to pass an act limited to one subject.

Mr. GLASGOW. Last spring I had the pleasure of being up here and trying to get legislation to get rid of doing anything and everything that Congress had given us before.

Senator McNARY. Now, Mr. Zabriskie, is sugar lower in the United States than in any other country?

Mr. ZABRISKIE. Four or five cents lower than in Great Britain, which is the next lowest.

Senator RANSDELL. Could you give us detailed information on that?

Mr. ZABRISKIE. I think I can give you the price of sugar in all countries.

Senator MCNARY. We can put that in at this point later on.

Now, isn't it true that sugar can not be produced as low this year as last because of labor difficulties and cost of manufacture?

Mr. ZABRISKIE. I think so.

Senator MCNARY. Then the curtailment in Europe has made it necessary to draw on the United States for sugar?

Mr. ZABRISKIE. Yes, sir.

Sen. MCNARY. The sugar producers in this country, of cane and beet, voluntarily entered into a contract with the Food Administration by which the price was fixed, I believe?

Mr. ZABRISKIE. Yes, sir.

Senator MCNARY. And have the producers lived up to the contract?

Mr. ZABRISKIE. Yes, sir.

Senator RANSDELL. That was purely voluntary?

Mr. ZABRISKIE. Yes, sir.

Senator RANSDELL. No coercion whatever?

Mr. ZABRISKIE. No, sir.

Senator MCNARY. Have you any reason to complain of the profiteering either in wholesaling or retailing on the prices of sugar?

Mr. ZABRISKIE. In the main there has been very little profiteering.

Mr. GLASGOW. Mr. Chairman, you were asking what legislation was necessary?

Senator MCNARY. Yes.

Mr. GLASGOW. If, then, we had the licensing power, it would help tremendously. We have the licensing power now and still have them under license, and I think any legislation that will give us control of distribution and to punish anybody for profiteering will be helpful; we ought to have the licensing power. We have them under license now.

Senator MCNARY. We might pass an act creating this board of equalization and giving them the power or right to define profiteering and fixing the price of sugar and maintaining a corrective embargo.

Mr. GLASGOW. You might create a branch in the agency already created, however, worded in such a way as to protect the United States from loss. The United States to-day stands to lose only $5,000,000 and gets all the profits; there is no liability on the part of the United States if we had lost $40,000,000 on this crop. And it might be that an act could be so drawn as to utilize this equalization board that is already created as an agency and clothing it with powers—I do not know how far that can go; I have not examined it—and clothing it with the power of embargo and with the power of license.

Senator MCNARY. Senator Ransdell, do you care to ask Mr. Zabriskie any further questions?

Senator RANSDELL. No; I think you have covered it very fully.

Senator McNARY. Anything further, Judge Glasgow?

Mr. GLASGOW. Just one further question. Did you not, when the apparent shortage over the demand made its appearance, did you not communicate with the War Trade Board to try to stop the export of any more sugar?

Mr. ZABRISKIE. Yes; on the 29th of July we wrote to Mr. Lawrence Bennett, of the War Trade Board, asking for an embargo on sugar. Now, we could embargo the exports on sugar so far as the refiners are concerned, but we could not control when the refiners sold to somebody else and the second-hand trade.

Mr. GLASGOW. There was at that time considerable desire on the part of a great many——

Mr. ZABRISKIE (interposing). Everybody.

Mr. GLASGOW (continuing). To get rid of the embargo?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. And you did not get the embargo?

Mr. ZABRISKIE. We did not get the embargo, but we prevented the export of a large quantity of sugar by the refiners, and having it understood that it should not be exported.

Senator RANSDELL. How does the price of sugar compare with prewar prices, compared with other articles of food?

Mr. ZABRISKIE. Sugar has not advanced as much as other commodities. I happen to be in the flour business and wheat; you know the guaranteed price of $2.26, as against $1.25 formerly, to farmers.

Senator RANSDELL. Could you go into detail and give us some illustrations?

Mr. ZABRISKIE. I think meats that used to sell at 18 to 20 cents a pound have sold as high as 50 cents.

Senator RANSDELL. And flour?

Mr. ZABRISKIE. Flour used to sell at $4 or $5 a barrel, and now it is bringing $12; rice used to sell, three or four years ago, at 6 cents a pound, and now it is 12 or 13 cents a pound.

Senator RANSDELL. What were the prewar prices on sugar as compared with other prices?

Mr. ZABRISKIE. I should say about 6 cents a pound, and now 10 cents a pound.

Senator RANSDELL. Mr. Chairman, Judge Martin, who represents a sugar district in Louisiana, is present; perhaps he would like to ask some questions.

Mr. ZABRISKIE. I have here now the price list of sugar, as requested a moment ago.

Senator McNARY. You may give it.

Mr. ZABRISKIE. Retail price of sugar all over the world—(to be revised later):

United States	$0.11–$0.12
United Kingdom	.15
France	.18– .19
Italy	.20– .35
Canada	.12– .13
Austria-Hungary	.21– .54
Turkey	1.77– 5.05
Russia	3.31– 3.35
Denmark	.10– .11
Norway	.13– .14

Sweden	$0.12–$0.14
Holland	.13
Finland	.12
Belgium	.14
Spain	.19– .21
Switzerland	.16– .09
Bulgaria	.30
Greece	.21

Senator McNARY. Do these prices respond to the law of supply and demand, or are they fixed and regulated, any of them, do you know?

Mr. ZABRISKIE. In Great Britain they are fixed.

Senator McNARY. And regulated?

Mr. ZABRISKIE. The others are not fixed.

Mr. GLASGOW. The low price in Denmark, I suppose, is due to the fact that Denmark is a producer.

Mr. ZABRISKIE. Yes. We have here also:

	Cents.
Norway	13–14
Sweden	12–14
Holland	13
Finland	12
Belgium	14
Spain	19–21
Switzerland	16.9
Bulgaria	30
Greece	21

Mr. GLASGOW. The price in Denmark is due to the fact that they raise beets.

Senator McNARY. Those are all basic prices?

Mr. ZABRISKIE. Those are retail prices.

Senator RANSDELL. Pursuing my question a little further, I judge sugar is very much cheaper than most of the other articles of human food?

Mr. ZABRISKIE. Quite a bit; there has been much less rise than in other commodities.

Senator RANSDELL. And much less in this country than in other countries?

Mr. ZABRISKIE. Yes, sir.

Senator RANSDELL. And that is due to control?

Mr. ZABRISKIE. Yes, sir.

Senator McNARY. Judge Martin, have you any question you would like to propound to Mr. Zabriskie?

Mr. MARTIN. I would like to ask a question or two. You say the price of refined sugar was 9 cents a pound; you mean, less 2 per cent for cash?

Mr. ZABRISKIE. Yes, sir.

Mr. MARTIN. So for cash 2 per cent was deducted?

Mr. ZABRISKIE. Yes, sir.

Mr. MARTIN. So the wholesale price would be 8.82 instead of 9?

Mr. ZABRISKIE. That is what it is.

Mr. MARTIN. Have you any idea what the price of sugar would have been without control and without contract with the domestic producers?

Mr. ZABRISKIE. I think right now, Congressman, there could be any price.

Mr. MARTIN. In testifying before the Senate committee that investigated sugar, Mr. Hoover made this statement in reference to contracts:

> Supposing that we had made no agreement with him (that is, the producer) during this shortage he would probably have sold his sugar at 25 or 30 cents a pound.

Do you agree with that statement?

Mr. ZABRISKIE. I think it would bring 25 or 30 cents a pound.

Mr. MARTIN. Then by virtue of that contract the consumers saved that amount and the producers lost that amount?

Mr. ZABRISKIE. Yes, sir.

Mr. GLASGOW. The producers lost what they might have made.

Mr. MARTIN. As a matter of fact you had no trouble entering into the contracts with the producers?

Mr. ZABRISKIE. They are all voluntary and they all lived up to their agreements.

Mr. MARTIN. Now, you said something about the Louisiana crop; do you know how short that crop will be this year?

Mr. ZABRISKIE. Well, our advice would indicate that they would not have more than half of what they raised a year ago.

MR. MARTIN. As a matter of fact, there are a great many factories there that will not turn a wheel?

Mr. ZABRISKIE. Probably.

Mr. MARTIN. Many will have to use this year's crop for the planting of next year's crop?

Mr. ZABRISKIE. Yes.

Mr. MARTIN. That being the case, even if they got 15 cents a pound, many of them will lose money?

Mr. ZABRISKIE. I think they would, Congressman.

Mr. MARTIN. It is a question how much they will lose. Is this short crop due to causes beyond their control, or is there any way for them to make a better crop?

Mr. ZABRISKIE. Why, I think they exerted every effort to make a big crop.

Mr. MARTIN. And it is due to shortage of labor and bad weather?

Mr. ZABRISKIE. That is what our reports are.

Mr. MARTIN. And upon a very material increase, also, in all the articles that go into the production of sugar?

Mr. ZABRISKIE. Yes; that is true.

Mr. MARTIN. Over last year?

Mr. ZABRISKIE. Yes.

Mr. MARTIN. That is all.

Senator MCNARY. Now, I want to go back to one thing to make it a little more specific in one or two respects, Mr. Zabriskie; you said a few moments ago that if we do not acquire the Cuban crop the prices would be very much higher in January, February, March, and April of next year.

Mr. ZABRISKIE. That is because of the abnormal demand, Cuba being the only place where sugar is available in the early months.

Senator MCNARY. Now, have you made an estimate of what you think the probable cost of sugar per pound will be during that time?

Mr. ZABRISKIE. That is impossible.

Senator MCNARY. It is impossible to do that?

Mr. ZABRISKIE. Yes, sir.

Senator MCNARY. The reason I ask you is that in this article it is predicted sugar will be 25 or 30 cents a pound. I appreciate, of course, that that is just a prophecy, and that it can not be foretold. Now, if one-third of the Cuban crop has gone to foreign countries and we remain passive here, isn't it likely a great portion of that crop will move to foreign countries?

Mr. ZABRISKIE. That will all depend on the buying powers of this country as compared with the buying powers of those countries, taking them independent of this country. It also is to be taken into consideration the natural friendliness of the Cubans and their natural desire to do business here.

Senator RANSDELL. You modified your statement that there had been one-third of the crop taken; at the time you wrote that letter that was pending, at the time the British royal commission was negotiating, but they have not succeeded in negotiating for it, have they?

Mr. ZABRISKIE. They have not; but then they were putting themselves in as good a trading position as possible.

Senator MCNARY. Then, do I understand you that as a matter of fact one-third of the crop has not been purchased?

Mr. ZABRISKIE. I don't think more than one-fourth of the crop has been purchased.

Mr. GLASGOW. Isn't it a fact, however, that the refining capacity of Great Britain is not capable of taking care of the crop of Cuba?

Mr. ZABRISKIE. Yes.

Mr. GLASGOW. For instance, we took four-sixths or one-third as our portion——

Mr. ZABRISKIE (interposing). Yes.

Mr. GLASGOW. And Great Britain one-third, and we will have to refine pretty nearly one-half of what the royal commission takes for them; and we have the advantage in this situation of having a refining capacity that Europe has not got.

Mr. ZABRISKIE. We have. And then without control and because of the uncertainty, after all, you are going to have your peak of production in Cuba in April and May, and this strong competition on the part of producers. That is just the other side of it.

Senator MCNARY. And there is no way to estimate the probable difference in cost if this control should be continued and the Cuba crop acquired, and if it is not acquired and the market left unrestricted and unfettered?

Mr. ZABRISKIE. If the market is left unrestricted there isn't any question in my mind we will have very much higher prices in January, February, and March. Beyond that it is not possible for me to go.

Senator RANDSELL. Why do you limit the time to the end of March?

Mr. ZABRISKIE. Because at that time there is your peak of buying demands; because of the shortage that has obtained and does obtain right now there are already evidences not only on the part of refiners here to secure their supplies for January, February, and March, but the other countries have made their purchases for January, February, and March, and showing their evident need of Government control.

Senator RANDSELL. And the demand will have been filled by that time?

Mr. ZABRISKIE. And then we have this big crop and you find some producers will have disposed of their crop.

Senator MCNARY. Can you control the price of sugar until the 1st of January?

Mr. ZABRISKIE. We have been doing it.

Senator MCNARY. Do you anticipate any difficulty in that line?

Mr. ZABRISKIE. No, sir.

Senator RANDSELL. You have no difficulty with the Louisiana people on the crop now coming in?

Mr. ZABRISKIE. No; I only refer to the crop from the Atlantic States. I look for prices to be higher in Cuba.

Senator MCNARY. Anticipating legislation, would you acquire the crop in Cuba and this country?

Mr. ZABRISKIE. We would not acquire it.

Senator MCNARY. Or control it?

Mr. ZABRISKIE. We would probably make an arrangement with them, probably on a 10 per cent basis; we have to make overtures on those lines.

Mr. GLASGOW. Mr. Zabriskie, when you said you anticipated no difficulty on the prices of Cuban sugar until the 31st of December—there may be if the prices of sugar and the Louisiana sugar should increase between now and the 31st of December—you had reference, as I understand it, to the basic price of 9 cents wholesale?

Mr. ZABRISKIE. Absolutely.

Mr. GLASGOW. After it passes from the wholesaler into other hands, then you lose control as far as the price is concerned, and it may go up on the basis of beet prices, may it not?

Mr. ZABRISKIE. I don't think it will go that high.

Mr. GLASGOW. But it might increase after it got away from you?

Mr. ZABRISKIE. We have cooperated with the Food Administration and have held prices down, so that only in the North Atlantic States is sugar sold higher than 11 cents.

Senator RANSDELL. Speaking of that point now, do you know of any serious profiteering in sugar?

Mr. ZABRISKIE. No, sir.

Senator RANSDELL. I see a little about it in the press now and then, but I do not suppose there has been any serious profiteering in sugar.

Mr. ZABRISKIE. Only in isolated cases.

Senator RANSDELL. Can you tell us what the normal production of sugar is in the United States?

Senator MCNARY. I have a letter from the Department of Agriculture, dated yesterday, from the chief of the bureau, giving the total production of sugar in the world for the year 1918-19 as 16,354,580 long tons. The production in 1917-18 was 17,331,385 long tons, a falling off of the present year over last year of 976,805 long tons.

Senator RANSDELL. Does he give it prior to the war?

Senator MCNARY. Compared with prewar conditions, the total world's production in 1913-14 was 18,738,326 long tons.

Senator RANSDELL. So there seems to be a shortage there of approximately 3,000,000 long tons?

Senator McNARY. He says, "a world's reduction in sugar production as compared with prewar production of more than 2,000,000 long tons."

Mr. ZABRISKIE. I think there will be a shortage of 3,000,000 tons, but in this hemisphere we will be in better shape, I think.

Senator McNARY. At this point I will insert this letter to me, under date of October 2, from the Department of Agriculture.

(The letter referred to is as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF PLANT INDUSTRY,
Washington, D. C., October 2, 1919.

Hon. C. L. McNARY,
United States Senate.

DEAR SENATOR McNARY: Replying to your inquiry by telephone this morning, in regard to the sugar situation, I take pleasure in furnishing you herewith with the most recent figures obtainable relating to the world's supply of sugar, together with the sugar situation in this country and in Cuba.

The total production of sugar in the world for the years 1918-19 was 16,354,580 long tons. The production in 1917-18 was 17,331,385 long tons, a falling off of the present year over last year of 976,805 long tons. The production for 1916-17 was less than that of last year, but somewhat more than for the preceding year, totalling for 1916-17, 16,987,875 long tons. Compared with prewar conditions, the total world's production of sugar in 1913-14 was 18,738,326 long tons. There is, therefore, a world's reduction in sugar production as compared with prewar times of more than 2,000,000 long tons.

Referring to the production of sugar in the United States, in 1918-19, the production of beet sugar amounted to 674,892 long tons, and the cane sugar production in continental United States was 253,927 long tons, making a total of 928,819 long tons.

Considering the sugar situation in the United States for the first eight months of the present calendar year, there was imported 2,461,600 long tons, and the domestic sugar placed upon the market amounted to 527,680 long tons for the same period. During that time 414,280 long tons of sugar were exported, leaving a total of 2,575,000 long tons available for use in this country, or about 61½ pounds per capita for eight months, upon the basis of 105,000,000 population. At this rate the per capita consumption of sugar in the United States for 1919 will be 92.24 pounds on the basis of a population of 105,000,000.

The consumption per capita of sugar in this country last year, i. e., for 1917-18, was 76.97 pounds. The largest consumption any preceding year was in 1913-14 when the per capita consumption reached 89.14 pounds.

The production of sugar in Cuba for 1917-18 amounted to 3,446,083 long tons. The consumption of sugar in Cuba amounts to approximately 150,000 long tons annually, leaving 4,310,083 long tons for export.

If additional information is needed, I shall be pleased to furnish it upon request, if the data desired is available.

Very truly, yours,

WM. A. TAYLOR,
Chief of Bureau.

Senator RANSDELL. Can you suggest any practical method by which the American people might be induced to consume less sugar?

Mr. ZABRISKIE. No, sir.

Senator McNARY. Now, if there is nothing further, Mr. Zabriskie, on behalf of the committee I thank you very much for coming down at my request.

Mr. ZABRISKIE. It has been a great pleasure, I assure you, and I will be at your service at all times.

Senator McNARY. Judge Glasgow, do you want to make any further statement?

Mr. GLASGOW. No, sir; I think Mr. Zabriskie's statement covers everything.

Senator McNARY. Is there any further statement?

Mr. GLASGOW. We have a statistician here; we brought him along in case he was needed.

Senator McNARY. Do you think anything more is needed?

Mr. GLASGOW. No, sir.

Senator McNARY. Will you be willing, in case this subcommittee should report action in some legislative way to the general committee, in connection with the Department of Justice, to prepare such legislation as you think would meet the exigencies of the occasion?

Mr. GLASGOW. I would be very willing to.

Senator McNARY. That is very kind.

Mr. GLASGOW. I had the pleasure of drawing the wheat guaranty bill, and I was heralded as the devil behind the whole thing in putting up the price of wheat; I think I could stand it once more.

Senator RANSDELL. Judge Glasgow, do you know of any facts that should be brought out on this general hearing other than have already been brought out?

Mr. GLASGOW. I think Mr. Zabriskie's statement has covered everything. I was with him from the beginning of this thing, and that is the reason I came along and intervened as I did.

Senator RANSDELL. That was entirely proper, and I am sure we have been delighted to have you.

Mr. GLASGOW. If you continue to ask questions, I think you will help out.

Senator RANSDELL. I have asked Mr. Figg, of the Department of Justice, to come up to the hearing. Do you care to add anything, Mr. Figg?

Mr. FIGG. I don't think I could add anything. I talked with Judge Glasgow and Mr. Zabriskie at their hotel this morning and went over the matter rather thoroughly with them.

Senator RANSDELL. I wish you would, if you will, Mr. Figg, give your full name and your official position.

Mr. FIGG. Howard Figg, special assistant to the Attorney General.

Senator RANSDELL. I am sorry we asked you to come up here, if it was not necessary, but we did it to expedite the business of the Senate.

Mr. FIGG. It has been perfectly proper, and I have been very much interested in the hearing and was glad to be present.

Senator RANSDELL. Let me inquire whether you have obtained any information on profiteering that would properly come out under section B of this resolution—information regarding prices of sugar, and whether any unjust or exorbitant profits have been made on sugar, and if so, by whom?

Mr. FIGG. I would like to state to the committee in this connection that we have put the governmental agencies, the Bureau of Investigation, and our different United States attorneys at work on a very thorough investigation of the profiteering that might exist in sugar and other lines, and I am very convinced now that there has been no profiteering by the legitimate dealer in sugar, either the wholesaler or retailer. I believe there has been some speculation and, probably, some holding sugar for high prices.

Senator KEYES. Where do you draw the line; what is the difference between profiteering and speculation?

Mr. FIGG. Well, I mean for the operating profits larger than the profits allowed by the Food Administration, by those who made the prices probably any greater than 11 cents a pound.

Mr. GLASGOW. There is just one other fact that probably might be of use to you. The result of the methods of the Food Administration and the equalization board has been to increase the production of sugar.

Senator RANSDELL. In what way?

Mr. GLASGOW. By increasing the volume in Cuba and Louisiana; I mean up to this year.

Senator RANSDELL. And of Porto Rico and Hawaii?

Mr. GLASGOW. Yes, sir; and the result is that what we set out to do has been accomplished. We thought it was very necessary in the face of war to increase the production of sugar, and this year's production shows that the purpose which the administration had in view has been accomplished.

Senator RANSDELL. The Food Administration seems to have succeeded a little better along that line than some other agencies.

Mr. GLASGOW. We have increased production.

Mr. FIGG. Did you not guarantee to the producers a higher price on the coming crop?

Mr. GLASGOW. No; we did not guarantee exactly at all on the price of sugar. We undertook to stabilize the price at what we thought was a fair price to them, and a stimpulative price to them based upon an investigation of the cost of production.

Senator RANSDELL. And the outcome showed the wisdom of your action, because sugar sold much less than in other countries.

Mr. MARTIN. May I ask Mr. Figg a question?

Senator MCNARY. Certainly.

Mr. MARTIN. In the event of the Sugar Equalization Board does not continue in existence and continue to control sugar, does the Department of Justice contemplate taking action under the food control act amendment now pending?

Mr. FIGG. The Department of Justice could not take action under that only in so far as the individual cases of profiteering are concerned.

Mr. MARTIN. But in doing that you would have to fix a fair price.

Mr. FIGG. That would be purely a matter for the court. There would be no one in the Department of Justice to say what would be considered a fair profit.

Mr. MARTIN. The amendment as to fair-price committees was stricken out of the bill?

Mr. FIGG. Yes; that was stricken out.

Senator MCNARY. Do you care to make any further statement?

Mr. FIGG. No, sir.

Senator MCNARY. Is there anyone else present that cares to make a further statement?

Senator RANSDELL. Judge Ballou is present, representing the Hawaiian producers and desires to make a brief statement.

Senator MCNARY. Very well, Judge Ballou; give your name and residence.

STATEMENT OF MR. SIDNEY BALLOU, OF HONOLULU HAWAII, AND WASHINGTON, D. C.

Mr. BALLOU. My name is Sidney Ballou; my home is in Honolulu, Hawaii.

Senator MCNARY. What is your Washington address?

Mr. BALLOU. Colorado Building, Washington, D. C.

I merely made the suggestion to Senator Ransdell that if a price is to be fixed we must not lose sight of the fact that the lower the price the more sugar will be consumed. Unless it is connected with some legislation to enable somebody to check consumption it will happen next year as it happened this year, that the American consumer will proceed to do what he did this year; that is, to eat up more than the normal 12 months' supply in the first 9 months of the year.

In that connection I might put the figures on consumption which have been referred to in general by Mr. Zabriskie in the record. Quoting from Willett & Gray. The consumption in 1912 was 81.3 pounds per capita; in 19y3 it was 85.4 pounds per capita; in 1914 it was 84.29 pounds per capita; in 1915 it was 83.83 per capita. On a war basis, with a decreasing production due to the war in 1916 it was 79.34 per capita; in 1917 it was 78.58 pounds per capita; and in 1918 it was 73.36 per capita. We are running now at the rate of 92.4 per capita, and no steps have been taken to check that consumption, and it is a question whether or not we can keep that rate another year.

Senator MCNARY. What is the cause of that increased consumption?

Mr. BALLOU. That has been referred to here. In the first place, it is the increased demand that Mr. Zabriskie has referred to; it is caused by the fact that physical workers are receiving large wages; the man who does physical work craves and requires sweets, and when he has the money he will spend it on sweets. It is caused to a large extent by prohibition, and to a large extent to the way sugar has been handled.

Mr. MARTIN. Is it only 92 pounds this year; I thought it was 96?

Mr. BALLOU. We are running now—the figure to the 1st of July was 46 pounds per capita for the first six months—that makes 92. Up to the end of August the rate of consumption was at the rate of 7.7 pounds per month average, which means it will be at the rate of 92.4. It will run 92 unless there is absolute scarcity so that they can not get it. I am informed that the figures for September show no diminution.

Mr. MARTIN. The highest was 1914?

Mr. BALLOU. In 1914 it was 84 and a fraction. It has never gone above 85 before. Now, this is an extraordinary consumption in the face of a shortage.

Senator RANSDELL. It is now running at the rate of 92?

Mr. BALLOU. Ninety-two is the rate at which it is running now, for the first eight or nine months of this year.

Senator MCNARY. At this juncture I desire to place in the record a resolution adopted in September by the United States Sugar Manu-

facturers' Association; also data showing general sugar production by States and table showing production in United States and islands.

(The resolutions referred to are here printed in full as follows:)

At a meeting of the United States Sugar Manufacturers' Association, composed of domestic beet-sugar producers, held at Congress Hotel, Chicago, Ill., September 26, 1919, the following resolution was unanimously adopted:

"The Government control of the price and distribution of sugar during the war stabilized the domestic sugar industry, prevented abnormally high and fluctuating prices, eliminated speculation, secured an equitable distribution of sugar throughout the country, minimized local sugar famines, and saved American consumers many millions of dollars.

"Because of the present world shortage of sugar, the beet-sugar industry of the United States views with grave concern the entire relinquishment of Government control of sugar during the existing emergency, the abandonment of which control it is feared will create chaotic market conditions, inflated prices, and unequal distribution. Owing to the inadequate supply of sugar throughout the world and the increased cost of production, the price of the coming crop of sugar must inevitably be higher.

"Believing that, notwithstanding the relief that may result from the forthcoming domestic beet-sugar crop, the governmental purchase of the coming Cuban crop of sugar is the only means of preventing an extreme shortage of sugar in this country except at exorbitant prices, we therefore unanimously ratify the action of our delegates to the domestic sugar-producers' conference held in New York City on July 16, 1919, in adopting and presenting to the United States Sugar Equalization Board, and through it to the President of the United States, the following resolution:

"'*Resolved*, That in view of the prospective continuation of scarcity of sugar supplies, this conference recommends that the United States Sugar Equalization Board be continued in power with authority to purchase the 1920 Cuban crop, making proper provision for the protection of domestic sugar and for fixing a fair price to the ultimate consumer, and that a committee be apopinted to consider and report.'

"Upon a motion prevailing that the Chair appoint a committee to present the matter to the United States Sugar Equalization Board and to take such other action as they may deem necessary, the following committee was appointed: Horace Havemeyer, W. L. Petrikin, C. W. Nibley, H. A. Douglas, Francis King Carey, and Henry H. Roland."

United States beet-sugar production by States, 1912–13 to 1917–18.

[In tons of 2,000 pounds.]

State and year.	Factories in operation.	Field returns based on tons of beets sliced.					Factory returns.			
		Area harvested.	Average yield per acre.[1]	Total farm value of beets.[1]	Average farm price of beets per ton.	Average sugar content.[2]	Sugar made (refined).	Beets worked.	Average extraction of sugar.	
									Percentage of weight of beets.[2]	Pounds per ton of beets.[2]
California:	*Number.*	*Acres.*	*Tons.*	*Dollars.*	*Dollars.*	*Per cent.*	*Tons.*	*Tons.*	*Per cent.*	*Pounds.*
1917–18	14	161,909	8.16	9,914,368	7.60	18.48	209,325	1,321,716	15.84	316.8
1916–17	11	141,097	10.37	9,216,239	6.30	18.35	236,322	1,462,895	16.15	323.0
1915–16	11	122,737	10.20	7,319,790	5.86	17.82	195,343	1,249,111	15.64	312.8
1914–15	10	104,000	10.40	6,145,760	5.68	18.46	169,004	1,082,000	15.62	312.4
1913–14	12	127,610	8.92	6,941,818	6.10	18.04	171,208	1,138,003	15.05	301.0
1912–13	11	111,416	9.01	6,487,959	6.46	18.79	158,904	1,004,328	15.82	316.4

[1] The average yield of beets per acre, by States, is based on the tons of beets actually sliced by the factories, and hence is slightly below the tonnage per acre harvested and paid for. The farm value of beets also is based on the tons of beets sliced. The total tonnage of beets as harvested and paid for is regularly greater than the tonnage sliced, owing to loss in weight from drying and other causes. The statistics of the Department of Agriculture show the total tons of beets "harvested and paid for" for the entire United States, as well as the "tons of beets worked," but does not give the former data by States. The loss in weight of beets and the money loss to all the factories, from this cause, is shown in the following table:

Year.	Beets harvested and paid for.		Beets sliced by factories.		Loss of beets to factories.		Total amount paid to farmers for beets.
	Total.	Per acre.	Total.	Per acre.	Quantity.	Value.	
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Dollars.*	*Dollars.*
1917–18	5,980,377	9.00	5,625,545	8.46	354,832	2,622,208	44,192,000
1916–17	6,228,256	9.36	5,919,673	8.90	308,583	1,888,528	38,139,000
1915–16	6,511,274	10.70	6,150,293	10.10	360,981	2,046,763	36,950,000
1914–15	5,585,000	11.60	5,288,500	10.90	296,500	1,615,925	30,438,250
1913–14	5,886,000	10.10	5,659,462	9.76	226,538	1,289,001	33,491,340
1912–13	5,648,000	10.20	5,224,377	9.41	423,623	2,465,486	32,871,360

[2] In terms of refined. On a preceding page the results are given in terms of raw for comparison with results in foreign beet-sugar producing countries, usually expressed in terms of raw. In the table, both the percentage of sugar content and the sugar extraction are given. Where factories pay for beets on a sliding scale, which is the usual custom, the basis for payment is the sugar content of the beet and not the sugar extraction, and as the latter is from 2.5 to 3 per cent less than the sugar content, payment is made to the farmers for 50 to 60 pounds of nonrecoverable sugar per ton of beets.

United States beet-sugar production by States, 1912–13 to 1917–18—Continued.

[In tons of 2,000 pounds.]

State and year.	Factories in operation.	Field returns based on tons of beets sliced.					Factory returns.			
		Area harvested.	Average yield per acre.	Total farm value of beets.	Average farm price of beets per ton.	Average sugar content.	Sugar made (refined).	Beets worked.	Average extraction of sugar.	
									Percentage of weight of beets.	Pounds per ton of beets.
Colorado:	*Number.*	*Acres.*	*Tons.*	*Dollars.*	*Dollars.*	*Per cent.*	*Tons.*	*Tons.*	*Per cent.*	*Pounds.*
1917–18	15	161,476	10.84	13,417,168	7.28	15.40	234,303	1,749,875	13.39	267.8
1916–17	14	188,568	10.25	11,717,561	6.06	15.00	252,147	1,933,591	13.04	260.8
1915–16	14	171,222	11.00	11,106,497	5.88	16.53	273,780	1,888,860	14.49	289.8
1914–15	13	135,400	12.60	9,691,784	5.68	15.35	220,799	1,706,300	12.94	258.8
1913–14	15	168,410	10.93	10,436,503	5.67	14.92	229,274	1,840,653	12.46	249.2
1912–13	16	144,999	11.32	9,785,492	5.96	16.19	216,010	1,641,861	13.16	263.2
Idaho:[1]										
1917–18	7	37,745	7.59	2,308,600	7.06	16.74	38,376	286,446	13.40	268.0
1916–17	5	42,135	7.87	2,041,904	6.16	16.95	45,874	331,478	13.84	276.8
1915–16	4	35,068	9.70	1,726,484	5.08	17.85	51,225	339,859	15.07	301.4
1914–15	4	25,300	10.50	1,311,421	4.96	17.78	39,613	264,400	14.98	299.6
1913–14	4	22,497	9.90	1,110,834	4.99	16.24	29,620	222,612	13.31	266.2
Michigan:										
1917–18	14	82,151	5.62	4,772,000	8.04	16.28	64,247	461,721	13.91	278.2
1916–17	15	99,619	5.05	3,086,609	6.14	16.37	69,341	502,705	13.79	275.8
1915–16	15	122,000	8.20	5,898,015	5.91	15.45	129,997	997,972	13.03	260.6
1914–15	15	101,300	8.50	4,482,110	5.23	15.78	110,630	857,100	12.91	258.2
1913–14	15	107,965	8.85	5,664,585	5.93	15.82	122,424	955,242	12.82	256.4
1912–13	15	124,241	6.75	4,772,681	5.69	14.72	95,049	838,784	11.33	226.6
Ohio:[1]										
1917–18	5	24,234	8.36	1,761,521	7.18	16.24	24,467	202,624	12.08	241.6
1916–17	4	24,767	5.56	940,464	6.83	15.89	18,234	137,696	13.24	264.8
1915–16	4	25,684	10.90	1,478,169	5.29	14.19	33,472	279,427	11.98	239.6
1914–15	3	17,800	10.40	930,888	5.04	14.50	21,425	184,700	11.60	232.0
1913–14	5	30,661	7.84	1,283,923	5.34	14.46	28,687	240,435	11.93	238.6
Utah:[1]										
1917–18	15	80,289	8.68	5,434,800	7.04	15.61	83,662	696,522	12.01	240.2
1916–17	11	68,211	10.38	4,058,198	5.73	16.05	90,277	708,237	12.75	255.0
1915–16	8	56,226	11.20	3,089,392	4.91	16.43	85,014	629,204	13.51	270.2
1914–15	7	41,300	13.70	2,704,434	4.79	17.03	78,619	564,600	13.92	278.4
1913–14	7	39,472	12.21	2,317,761	4.81	15.07	57,231	481,863	12.08	241.6

Other States:[2]										
1917–18	21	116,993	7.75	8,157,240	7.37	15.17	110,827	906,641	12.22	244.4
1916–17	14	100,911	8.35	5,210,179	6.18	15.69	108,462	843,071	12.87	257.4
1915–16	11	78,364	9.80	4,342,426	5.67	16.38	105,389	765,860	13.76	275.2
1914–15	8	58,300	10.80	3,569,265	5.67	15.80	81,964	629,500	13.02	260.4
1913–14	12	83,391	9.36	4,441,921	5.69	15.00	94,957	780,654	12.17	243.4
United States:										
1917–18	91	664,797	8.46	41,572,778	7.39	16.28	765,207	5,625,545	13.60	272.0
1916–17	74	665,308	8.90	36,228,399	6.12	16.30	820,657	5,919,673	13.86	277.2
1915–16	67	611,301	10.10	34,872,161	5.67	16.49	874,220	6,150,293	14.21	284.2
1914–15	60	483,400	10.90	28,822,325	5.45	16.38	722,054	5,288,500	13.65	273.0
1913–14	70	580,006	9.76	32,202,339	5.69	15.78	733,401	5,659,462	12.96	259.2
1912–13	71	555,300	9.41	30,405,874	5.82	16.31	692,556	5,224,377	13.26	265.2

Department of Agriculture estimate in August, 1919, 914,000 short tons; since have had severe drouth. Now estimated as 100,000 tons in excess of 1917–18. Louisiana 1919–20 crop 100,000 to 125,000 tons.

[1] In 1912–13 the Department of Agriculture gives a combined average for Utah and Idaho, while the figures for Ohio are carried in a general average for Ohio, Indiana, Illinois, and Wisconsin. It therefore is impossible to give detailed data for these States for the year 1912–13.

[2] "Other States" include the following States: 1913–14, Arizona, Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Nebraska, Wisconsin; 1914–15, Illinois, Indiana, Kansas, Minnesota, Montana, Nebraska, Wisconsin: 1915–16, Illinois, Indiana, Kansas, Minnesota, Montana, Nebraska, Wisconsin, Wyoming; 1916–17, Illinois, Indiana, Kansas, Minnesota, Montana, Nebraska, Oregon, Wisconsin, Wyoming; 1917–18, Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, Oregon, Wisconsin, Wyoming, Washington.

Production of sugar in the United States and islands now designated as noncontiguous territories, from 1823–24 to 1915–16.

[Tons of 2,000 pounds.]

Campaign year.	Beet sugar (chiefly refined).	Cane sugar (chiefly raw).					Total.	Percentage of total United States consumption supplied by domestic (continental) production.[4]			Per capita consumption in United States (pounds).[5]
		Louisiana.[1]	Other Southern States.[2]	Porto Rico.	Hawaii.[1]	Philippine Islands.[3]		Cane.	Beet.	Total.	
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Per cent.*	*Per cent.*	*Per cent.*	*Cal. year.*
1823–24		17,055									8.8
1824–25		18,192									8.0
1825–26		17,055									9.2
1826–27		25,583									10.2
1827–28		40,364		6,126							11.5
1828–29		50,028									11.3
1829–30		27,238		15,757							12.1
1832–33		39,795									12.7
1833–34		42,638									14.5
1834–35		56,850									14.3
1835–36		17,055									11.9
1836–37		39,795			2						12.1
1837–38		36,953			44						14.3
1838–39	Lbs. 1,300	39,795			50						14.5
1839–40		65,378			180						14.1
1840–41		49,460			30						14.7
1841–42		51,165			}						{ 13.5
1842–43		79,590			573						{ 14.1
1843–44		56,850			207						16.2
1844–45		113,700			151						18.9
1845–46		105,741			150						19.7
1846–47		79,590			297						21.3
1847–48		136,440			250						23.1
1848–49		125,070			327	26,018					21.4
1849–50		140,944		56,065	375	32,519					23.1
1850–51		120,068			11	32,113		38.39			27.2
1851–52		134,477			350	29,583		36.60			30.8
1852–53		183,019			321	33,644		45.57			34.1
1853–54		255,441			288	49,416		55.68			33.3
1854–55		192,613	14,749	65,382	145	39,209	311,953	47.31			30.0
1855–56		127,285	11,000	91,840	277	53,085	283,210	33.18			29.1
1856–57		40,686	2,994	95,200	350	40,394	179,274	9.71			27.7
1857–58		153,833	7,151	77,777	602	30,081	269,842	41.31			30.4
1858–59		207,398	9,149	64,960	913	56,106	337,613	40.25			32.2
1859–60		127,558	5,767	63,840	722	54,895	252,060	27.99			30.5

1859–60 [6]		126,051	5,262								
1860–61		132,532	4,831	75,040	1,281	50,754	263,157	26.83			34.3
1861–62		264,161	5,755	76,160	1,503	68,272	414,348	49.85			23.5
1862–63		48,420	3,100	70,560	2,646	57,389	179,469				17.8
1863–64		42,250	230	68,981	5,207	49,644	161,603	12.28			18.1
1864–65		5,400	200	70,980	7,659	51,623	128,651	1.76	0.14	1.9	
											Fiscal year.
1865–66		9,950	390	72,147	8,865	45,512	128,447	2.11	.09	2.2	28.45
1866–67		21,450	3,750	76,416	8,564	61,818	163,882	5.70	.10	5.8	24.30
1867–68	[7] 448	20,700	5,060	82,807	9,156	82,971	191,986	4.42	.08	4.5	31.24
1868–69		47,526	2,875	91,280	9,151	77,076	219,205	7.63	.07	7.7	35.19
1869–70		49,727	2,690	114,363	9,392	87,600	254,828	7.03	.07	7.1	32.73
1869–70 [6]		45,881	3,603								
1870–71		84,439	4,713	115,700	10,880	97,961	303,261	12.34	.06	12.4	36.47
1871–72		73,453	4,723	100,306	8,498	106,989	295,919	9.45	.05	9.5	40.64
1872–73	560	62,673	4,743	98,156	11,565	93,929	260,061	8.23	.07	8.3	40.08
1873–74	784	51,621	2,699	80,366	12,283	111,742	247,212	6.11	.09	6.2	41.64
1874–75		67,253	3,868	80,783	12,541	141,220	305,777	7.49	.01	7.5	43.33
1875–76	[8] 112	81,708	4,532	78,418	13,036	143,903	321,709	10.79	.01	10.8	35.42
1876–77		95,337	4,344	69,821	[9] 12,788	135,578	317,980	10.99	.01	11.0	39.07
1877–78		73,552	5,970	94,469	19,216	134,508	327,827	9.69	.01	9.7	34.59
1878–79	224	119,739	5,701	85,580	24,510	145,350	381,104	12.58	.02	12.6	40.99
1879–80	1,344	99,481	4,458	63,904	21,792	199,728	400,707	9.06	.14	9.2	39.46
1879–80 [6]		97,615	4,674								
1880–81	560	136,491	6,160	69,121	46,894	230,169	489,395	12.95	.05	13.0	42.89
1881–82	[8] 560	79,938	5,600	89,674	57,089	165,813	398,674	7.95	.05	8.0	40.82
1882–83		151,533	7,840	86,948	57,910	216,973	521,764	13.15	.05	13.2	45.20
1883–84	599	143,856	7,616	110,505	71,622	134,623	468,821	10.16	.04	10.2	54.18
1884–85	1,067	105,701	7,280	78,400	85,676	225,117	503,241	8.42	.08	8.5	47.87
1885–86	672	143,313	8,064	71,680	106,080	203,861	535,670	10.75	.05	10.8	49.09
1886–87	896	90,562	5,079	96,320	106,400	189,325	488,582	6.04	.06	6.1	53.26
1887–88	286	176,928	11,024	67,200	112,000	177,458	544,896	12.48	.02	12.5	50.29
1888–89	2,084	162,263	10,115	69,440	134,400	251,844	630,146	11.17	.13	11.3	50.44
1889–90	2,467	143,745	9,138	61,600	134,400	159,660	511,010	9.45	.15	9.6	50.72
1889–90 [6]		146,063	4,580								
1890–91	3,874	241,745	6,840	56,000	140,000	152,359	600,818	16.25	.25	16.5	60.70
1891–92	5,999	180,249	5,040	78,400	129,470	278,663	677,821	9.49	.31	9.8	60.22
1892–93	13,460	243,628	5,600	56,000	156,800	288,279	763,767	11.67	.63	12.3	64.24
1893–94	22,344	297,736	7,676	67,200	153,092	232,197	780,245	12.10	1.10	13.2	72.99
1894–95	22,503	355,414	9,283	58,800	147,502	376,405	969,907	16.95	1.05	18.0	62.69
1895–96	32,726	266,248	5,570	56,000	225,828	257,600	843,972	12.05	1.45	13.5	63.98
1896–97	42,040	315,850	6,238	64,960	251,124	226,240	906,452	11.59	1.51	13.1	78.20
1897–98	45,246	347,701	6,425	60,480	229,413	199,360	888,625	20.39	2.61	23.0	47.55

[1] Louisiana production 1823–24 to 1853–54 by A. Bouchereau. Other figures from Yearbook, Department of Agriculture, and Statistical Abstract.
[2] Subsequent to 1902–3 includes Texas only.
[3] Exports from 1848–49 to 1911–12. Production from 1912–13 to 1917–18, inclusive.
[4] From 1850–51 to 1864–65 applied only to Louisiana production.
[5] Calendar years from 1830 to 1863; fiscal years from 1864–65 to date.
[6] Census figures.
[7] Mean annual production; quantity varied from year to year between 336 and 560 tons. The mean annual production is included in the total in each year covered by brackets.
[8] Production uncertain; not exceeding quantity stated. Included in each year's total as in footnote [7].
[9] Hawaiian sugar admitted to United States free of duty from 1876 to date.

Production of sugar in the United States and islands now designated as noncontiguous territories, from 1823–24 to 1915–16—Continued.

[Tons of 2,000 pounds.]

Campaign year.	Beet sugar (chiefly refined).	Cane sugar (chiefly raw).					Total.	Percentage of total United States consumption supplied by domestic (continental) production.[4]			Per capita consumption in United States (pounds).[5]
		Louisiana.[1]	Other Southern States.[2]	Porto Rico.	Hawaii.[1]	Philippine Islands.[3]		Cane.	Beet.	Total.	
	Tons.	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Tons.*	*Per cent.*	*Per cent.*	*Per cent.*	*Cal. year.*
1898–99	36,368	274,973	3,855	60,285	282,808	104,160	762,449	12.32	1.58	13.9	61.98
1899–1900	81,697	164,824	2,270	39,200	289,544	70,319	647,854	7.23	3.67	10.9	58.91
1899–1900[1]	81,729	159,583	1,691	.....	271,049	.....	.....	.....	.....	.....	.....
1900–1901	86,082	308,648	3,238	89,600	360,036	62,048	909,652	11.21	3.09	14.3	71.96
1901–1902	184,606	360,277	4,048	[2] 103,152	355,611	75,011	1,082,705	14.54	7.36	21.9	63.35
1902–1903	218,406	368,734	4,169	100,576	437,991	[3] 123,108	1,252,984	11.67	6.83	18.5	78.92
1903–1904	240,604	255,894	22,176	138,096	367,475	82,855	1,107,100	9.30	8.50	17.8	68.66
1904–1905	242,113	398,195	16,800	151,088	426,248	125,271	1,359,715	13.04	8.06	21.1	71.66
1905–1906	312,921	377,162	13,440	214,480	429,213	138,645	1,485,861	11.78	9.62	21.4	75.74
1906–1907	483,612	257,600	14,560	206,864	440,017	132,602	1,535,255	7.67	13.63	21.3	81.19
1907–1908	463,628	380,800	13,440	230,095	521,123	167,242	1,776,328	12.00	14.10	26.1	74.11
1908–1909	425,884	397,600	16,800	277,093	535,156	123,876	1,776,409	11.39	11.71	23.1	80.43
1909–10	512,469	364,000	11,200	346,786	517,090	[3] 140,783	1,892,328	10.19	13.91	24.1	79.90
1910–11	510,172	342,720	12,320	349,840	566,821	164,658	1,946,531	9.85	14.15	24.0	77.15
1911–12	599,500	352,874	8,000	371,076	595,258	205,046	2,131,754	9.17	15.23	24.4	82.43
1912–13	692,556	153,573	9,000	398,004	546,798	345,077	2,145,008	3.99	16.81	20.8	85.04
1913–14	733,401	292,698	7,800	351,666	617,038	408,339	2,410,942	6.83	16.67	23.5	89.14
1914–15	722,054	242,700	3,920	346,490	646,445	421,192	2,382,801	5.73	16.77	22.5	86.04
1915–16	874,220	137,500	1,120	483,590	593,483	412,274	2,502,187	3.49	22.01	25.5	78.13
1916–17	820,657	303,900	7,000	503,081	644,574	424,079	2,703,291	7.34	19.36	26.7	81.81
1917–18	765,207	233,000	2,240	453,796	576,842	(4)	(4)	5.88	19.12	25.0	76.97

[1] Census figures.
[2] Porto Rican sugar admitted to United States at 85 per cent reduction May 1, 1900, and free of duty from 1901 to date.
[3] March 8, 1902, duty on imports of Philippine sugar reduced from full duty to 75 per cent; August 5, 1909, not exceeding 300,000 tons per annum admitted free of duty. October 3, 1913, all sugar imported from Philippines free of duty.
[4] Data not available.

Senator McNARY. The United States Sugar Equalization Board (Inc.), subsequent to the hearing, furnished the following corrected figures as to wholesale price of refined sugar in the several countries named, and asked that same be printed as a part of the record, which will be done.

(The figures referred to are here printed in full as follows:)

Wholesale price of refined sugar.

[Normal rate of exchange.]

Country.	Date of quotation.	Price (dollars per hundred pounds).	Source.
Belgium	May, 1919	15.5	W. & G.
Bulgaria	After Nov., 1918	438.0	F. A. S.
Canada	Sept., 1919	10.45	W. & G.
Cuba	....do	8.82	U. S. S. E. B.
Denmark	Aug. 5, 1919	8.51	L. P.
France	June, 1919	16.80	J. F. S.
Germany	Sept., 1919	9.72	L. P.
		11.73	F. F. S.
German Austria	Mar. 29, 1919	41.00	W. & G.
Holland	July, 1919	10.21	L. P.
Hungary	1919	12.28	J. F. S.
India	July 22, 1919	12.99	W. & G.
Italy	1919	30.29	A. S. B.
Japan	July 10, 1919	19.8	A. S. B.
Java	July 3, 1919	10.67	A. S. B.
Norway	May 13, 1919	15.70	F. F. S.
Poland	1919	18 to 47	F. F. S.
Portugal	June, 1919	23.6	A. S. B.
Spain	Apr. 20, 1919	14.61	J. F. S.
	June, 1919	10.5	W. & G.
Sweden	Since Jan. 1, 1919	16.05	J. F. S.
Switzerland		13.00	M. L. R.
Ukraine	(Retail 1919)	75.205	F. F. S.
United Kingdom	Aug., 1919	12.50	W. & G.
United States	Sept., 1919	8.82	U. S. S. E. B.

W. & G., Willett & Gray.
F. A. S., Facts About Sugar.
U. S. S. E. B., United States Sugar Equalization Board.
L. P., Louisiana Planter.
J. F. S., Journal des Fabricants de Sucre.
F. F. S., Foreign Food Supplement.
A. S. B., American Sugar Bulletin.
M. L. R., Monthly Labor Review.

Senator McNARY. Is there anything further you desire to say? If not, that will conclude the hearings and the committee will stand adjourned, and this afternoon I hope the subcommittee will get together to formulate some plan.

(Thereupon, at 1 o'clock p. m., the committee adjourned subject to the call of the chairman.)

141209—19——6

SUGAR SHORTAGE

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

FIRST SESSION

PURSUANT TO

S. RES. 197

DIRECTING THE COMMITTEE ON AGRICULTURE AND FORESTRY TO INVESTIGATE THE SHORTAGE AND PRICES OF SUGAR IN THE UNITED STATES, AND SO FORTH

PART 2

Printed for the use of the Committee on Agriculture and Forestry

WASHINGTON
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SUGAR SHORTAGE.

SATURDAY, OCTOBER 18, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to call at 10.30 o'clock a. m., in room 326, Senate Office Building, Senator Charles L. McNary presiding.

Present: Senators Gronna (chairman), Norris, Kenyon, Capper, Keyes, Ransdell, Kendrick, and Harrison.

Also present: Senator Gay and Representative Martin, of Louisiana, Dr. Alonzo Taylor, and Mr. William A. Glasgow.

Senator MCNARY. I may state to the committee and those present that I caused this meeting to be called for the purpose of considering the form of sugar legislation. At the hearings that were held before the subcommittee some days ago, at the request of the subcommittee Judge Glasgow prepared a bill which I offered to the Senate on the 9th day of October. This legislation is very comprehensive in its nature, providing, among other things, the authority to acquire raw sugar and license brokers and dealers and place an embargo on the shipment of sugar in and out of the country. Objection was offered to the bill on account of its comprehensive nature.

Then I requested the Legislative Bureau to prepare a bill more simple in form, without the license feature. I introduced that bill, I think, on the 14th day of October. It will be noticed that that bill is supported largely by the Food Administration act, which contains a license feature. On account of opposition in and out of the Senate being urged to the legislation, Judge Glasgow insisting that the Sugar Equalization Board could not proceed without it, and realizing that there was an insuperable situation I thought we had better have the Judge and Mr. Zabriskie come here. The Secretary of Agriculture, Mr. Houston, was also invited to come and he said he would be out of the city, but he thought there ought to be some legislation immediately which would permit the board to acquire sugar; and Dr. Taylor I believe is here to represent the Secretary of Agriculture. Dr. Taylor, do you wish to be heard?

Dr. TAYLOR. I do not wish to disturb the normal flow of the proceedings of your committee.

Senator MCNARY. I am sure the committee would like to have your views.

STATEMENT OF DR. ALONZO E. TAYLOR, OF THE WAR TRADE BOARD, REPRESENTING THE DEPARTMENT OF AGRICULTURE.

Senator MCNARY. Doctor, give your name and state your connection with the Department of Agriculture.

Dr. TAYLOR. My name is Alonzo E. Taylor. I represented the Department of Agriculture on the War Trade Board, and was also

a member of the Food Administration, and the reason for my appearance to-day is that the feeling on the part of the Secretary that having just returned from abroad I could perhaps give a picture of the conditions in sugar production, sugar consumption, and the economic relations of Europe to a sugar-importation program for next year.

Senator KENDRICK. What countries did you visit, Dr. Taylor?

Dr. TAYLOR. Of course, the American Relief Administration had its central office in Paris, although I have been in Holland, Switzerland, Germany, Czecho-Slovakia, Austria-Hungary, Roumania—in other words the entire sugar production area of Europe. I was there as a member of the American Relief Administration and was engaged in preparing food surveys of these several countries.

Senator KENDRICK. You gave practical attention to this sugar situation?

Dr. TAYLOR. As one of the features of their duty. It is impossible to separate the problems of production and consumption in these countries and we prepared estimates of their sugar production in the same way that we prepared estimates of their cattle and wheat production.

Senator MCNARY. Proceed and give an outline of your observations.

Dr. TAYLOR. It seems to me that the crucial point may be presented as follows: There is a contest on between the peoples of every single European nation that was involved in the war and their financial authorities, their governments, as to the degree of importation of foreign commodities that is to be permitted. The people have been four years, some of them, others two and three years—under ration, which involves in most countries nearly every commodity and for most of the commodities, especially those of the combatants, a reduction in the ration; that is, England's sugar consumption used to be 80 to 83 pounds, and it has been reduced to 52 pounds for two years; the German sugar consumption and the French sugar consumption have all been held below normal simply because of the limited sugar importations, and their beet production was, of course, limited in the countries where they produced sugar. This is also true of dairy products, meats and everything else.

These people are tired and exhausted by war. In some countries, notably in Germany, they are emaciated, and the tendency of the people is to get back to a normal ration again as soon as possible. Therefore the pressure which they lay upon their governments is to buy liberally and freely. On the other hand, the governments have the tendency everywhere and always to draw as fine a line as possible between the necessities that are termed for the present "luxuries," and to hold the latter down, and often to hold down the importation of necessities for the simple reason that they have such calls upon their import facilities that they must choose and they are unable during the present year to offer in return for imported commodities but a relatively small volume of exported commodities, because they are producing so little. They all will need to import increased amounts of grain as against the prewar period, and their food program of importations of food must be very heavy.

The best illustration of the tendency of all these governments is shown by the situation in Germany. The Brussels' agreement per-

mitted Germans the importation of over $600,000,000 worth of foodstuffs. They have imported only about half of that, although their people need the foodstuffs very badly. In other words, the tendency of the governments is to allocate the total volume of imports that they believe they can buy as between the different commodities and to hold down the natural desires of the people to a minimal basis. A very good illustration of this is the refusal of the German Government to import any coffee for the common consumption of the German people. This is the result of two facts: One is the rate of exchange; the second is their monetary ability to pay. If we bought sugar in the Cuban market for 7 cents, it would cost England between 8¼ and 8½ cents, and it would cost France between 11 and 12 cents, and Italy between 14 and 16 cents, so you see it is largely a question of rate of exchange. Second, after having been bought at that rate of exchange, we can pay for sugar in the ordinary course of trade by commodities and by bills of exchange they can not.

The degree to which the European nations, outside of Spain, Switzerland, Holland, Norway, Sweden, and Denmark could purchase sugar of Cuba or to purchase grain from us can not be conjectured or shown in advance, but we know that their export commodities are very small in quantity; we know that they do not wish to see any more exchange; we know we have refused Europe and they are looking everywhere in the world for credits. In other words, the buying power has been a factor with these nations and under this policy of their government is lower consumption.

No one can say in advance to what degree public opinion may force their governments to take additional financial risks and go out and buy. At present the British sugar ration is 52 pounds. If the point of view of the Government is to prevail and the people rest under it supinely, they will continue an attempt at consumption no greater than that, but if the British demands for better and stronger beer and for a better sugar ration becomes imperative and Lloyd-George becomes weaker, they may be forced to make importations of sugar up to the 80 pounds, as before the war. In other words, the program of imports is tied up in a political situation.

Normally speaking, if their financial advisors were to be followed, they would hold them down for another year on sugar and everything else to the level of last year, simply to play safe and they would ask their people to bear for another year these hardships.

The German people had securities in the hands of their legal agents, which the Government had the power to requisition, which would enable the German Government to purchase far more foodstuffs than they did; and they might have said, "We do not intend to be deprived any longer and we demand that you seize those $600,000,000 that are in the hands of Mr. Palmer in Washington," but they did not do so, and instead they took the program, but no one could say whether they would take the program of their Government or would not do so. If the people of England, France, and Italy had their say, they would undoubtedly return to a normal sugar consumption or to a higher sugar consumption as a natural rebound to the low-sugar consumption of the last two years, and they might easily take 2,000,000 tons of the Cuban crop. On the other hand if the financiers persist in their views, that they wish

to limit the importations of the coming year to where they were for the past year for purely financial reasons, they might reduce the figure to one million or one million and a quarter tons. How this is going to come out in the final contest no one can see. But, on the other hand, whether they take a large amount or whether they take a small amount, it seems to me that in view of the exchange rate and of the difference of their power as governed by the amount of commodities they have to export, America is going to get the sugar she wants in Cuba. It is merely a question of how far they want to drive it up. Our people have got the money to spend; they can get everything they want. Therefore, if we want the four and one-half million tons of sugar in toto, or if we want to get the three and a half million tons of sugar, there is not the slightest doubt we can do it if we are willing to pay the competitive price, because we have the buying power and we can get it against everybody; on the other hand they have the power to drive the price up very high; they can drive it up to 20 cents if they decide they want a large amount of this sugar.

The viewpoint, financially, regarding sugar as a partial luxury and trying to hold Europeans down, and the demand of the people that they be given more of this, no one can foresee the outcome of, because it is a very ticklish psychological situation. The balance of power between the repressive point of view and the financial view in England is pretty evenly balanced, and with the demand of the British people for a plus of a further ration, it is entirely possible that the British people may take the bit in their teeth and say, "We are going back to the 80 pounds." On the other hand the financiers may be able to convince them they ought not to attempt such a thing. But if they do go to 80 pounds and we want a full allowance, sugar will go to the scale of high prices.

Senator McNARY. It is your opinion that the sugar-producing countries of Europe will produce enough sugar for their consumption this year?

Dr. TAYLOR. That depends on what you regard as sugar consumption. Previous to the war Austria-Hungary used to produce about 1.8, and she would now produce a bare million if they succeed in getting the beets across these new borders where the refineries are located. The Czecks have the coal and the refiners. Therefore they will get the beets, and under those conditions it makes it difficult under present conditions to meet the situation. But you may put down 800,000 as the production limit for Austria-Hungary, and you may put down as the limit for Germany 1,200,000, and that makes 2,000,000 in toto as against 3,800,000 or 3,900,000. Then count Russia out and the beet sugar production is down to half: and if they all hold down their consumption they may after a fashion supply it, but all of these people want to go back to normal allowance.

The CHAIRMAN. Will not the financial conditions necessarily reduce the consumption in Germany and Austria-Hungary?

Dr. TAYLOR. It tends to reduce the consumption if the point of view of the Government prevails and the people yield to repression, but it is liable to break out at one point or another and overrule. The people have stood a great deal and they will not calmly after

the war allow the whole program to be put over them without protest. England is the one country where protests against further sugar restriction is likely to be heard, and England is the one country that has the best exchange.

Senator RANSDELL. Has not the protest been heard?

Dr. TAYLOR. In England, most strongly.

Senator MCNARY. The 1920 sugar crop will be 50 per cent short in Europe?

Dr. TAYLOR. Approximately. Russia being excluded entirely.

Senator MCNARY. That being so, is it not extremely likely that European countries will enter into the sugar market in Cuba?

Dr. TAYLOR. The question is to what extent; they must enter the market in Cuba, of course.

Senator RANSDELL. They always have bought a certain amount there?

Dr. TAYLOR. They have always bought a certain amount of the Cuban sugar.

Senator MCNARY. But in view of the shortage, is it not likely and very likely that they will enter the market stronger this year than before?

Dr. TAYLOR. You mean even than before in prewar times?

Senator MCNARY. Yes, sir.

Dr. TAYLOR. That is very difficult to say. It all depends on this outcome. If the British, French, and Italians were to consume a million and a quarter tons, which is practically what they had last year, their Governments would be very well satisfied. Whether their people would be satisfied with that amount or not, I do not know.

The CHAIRMAN. If you have already covered the point before I came in, it will not be actually necessary for you to answer this question: We have been told that England has already purchased one-fourth of the Cuban crop; is that correct?

Dr. TAYLOR. I question whether there is any evidence of that at all.

Senator RANSDELL. I do not think Mr. Zabriskie wants to convey that idea.

The CHAIRMAN. I have read the hearings and that is the idea I got.

Mr. ZABRISKIE. We meant to say that the European countries, or countries other than the United States, had already purchased about one-fourth of the crop.

The CHAIRMAN. I am glad to have that made plain because I understood it from the reading of the hearings as I have before stated.

Mr. GLASGOW. One-fourth of the Cuban crop which has been sold includes not only the purchases in Europe, but such small sections as may have been made by individual refiners in the United States.

Mr. ZABRISKIE. That will probably be 200,000 tons.

Senator RANSDELL. Mr. Chairman, I think it will be helpful to all of us if we hear Dr. Taylor, who I understand is well posted on the world's supply of sugar and pretty well advised as to the world's consumption also, if he could give us a brief survey of what the supply of sugar is in the world and what this country can reasonably expect to have for its consumption; in other words, what we produce in the United States and in our island possessions.

The CHAIRMAN. Pardon me, Senator Ransdell. I am, of course, very anxious to have that, but I do not want to be led away from the thought which I wanted to suggest to the committee. It is a question of fact we want now; it is not a theory. We want to know what has been done with the sugar crop, at least I do.

Senator RANSDELL. I was going to try to bring that out.

The CHAIRMAN. If that can be had I think that is a good deal the most important.

Senator RANSDELL. I was going to try to bring that out in connection with this.

The CHAIRMAN. But, before you go into that will you not let the Doctor give the committee what information he has as to the purchases made of the sugar crop?

Senator RANSDELL. Surely; I have no objection.

Dr. TAYLOR. I have no information as to that.

Senator RANSDELL. Mr. Zabriskie told us pretty fully about that the other day, I thought.

The CHAIRMAN. Then I misunderstood his statement the other day. I read English very well, as I do two or three other languages, and still I misunderstood his statement from the reading of it.

Mr. ZABRISKIE. The information that comes to the board, Senator, is to the effect that about one-fourth of the next Cuban crop has already been spoken for.

The CHAIRMAN. What do you mean by "spoken for"?

Mr. ZABRISKIE. That is, purchased by countries other than the United States, with the exception of about 200,000 tons, which has been purchased by the refiners in the United States. That, of course, is an estimate; there may be a variation as to that.

The CHAIRMAN. Then it is not an absolute fact that one-fourth of the Cuban crop has been bought up now; it is only an estimate?

Mr. ZABRISKIE. We know from some of the larger sellers of sugar that they have sold—for instance, one large concern has advised us that their sales have amounted to between 300,000 and 400,000 tons and they have reason to suppose that others have purchases amounting to about the same. That is the best information that we can get, Senator, and it is subject to some revision.

The CHAIRMAN. Would not your Sugar Board and would not the people who are controlling the sugar crop of Cuba or of other countries know definitely what the amount of the crop is that is sold?

Mr. ZABRISKIE. There is no control of the sugar of the Cuban sugar crop.

Senator KENYON. What about the Porto Rico crop; have you told us about Porto Rico?

Mr. ZABRISKIE. We have not had any data as to the sales of Porto Rican sugar.

Senator KENYON. Is there any sugar stored?

Mr. ZABRISKIE. There is not.

Senator RANSDELL. That would be brought out by the question I asked Dr. Taylor about the available supply. That would include Porto Rican sugar, Hawaii, the Philippines, our own country and also the Cuban crop.

Senator KENYON. They told me in Porto Rico it was there because they could not get the boats to ship it out.

Senator KENDRICK. Did I understand you to say there was nothing known about the sugar situation in Russia?

Dr. TAYLOR. A survey in Russia of the Ukraine was to the effect that they had several hundred thousand tons of sugar carried in various places that would be available for export if there was sufficient transportation for it. The plantings of this year under the new division, with all of the turmoil going on, are of course, very low, and the production is probably no greater than last year. But it seems to me that in view of the conditions in transport that we would have to assume that even if peace came to Russia to-day they would probably be not able to get to the world's market more than a small amount of it because of the conditions in transport, and the only safe way in dealing with Russia both for grain and sugar is to practically count her out to-day.

Senator KENDRICK. Both as to export and import?

Dr. TAYLOR. Yes; in every way. Naturally, if she can arrange her own transports, any government would attempt to feed her own people, for she could not afford under those conditions to export without creating an outcry, because the people of northern Russia are absolutely without sugar.

The CHAIRMAN. What about the exportation of grain to Russia or to Europe?

Dr. TAYLOR. It is simply a question that Russia has more grain in her domains than her people need; she can not ship it across a hundred miles of country for her own people.

The CHAIRMAN. Is that true of the Central Powers?

Dr. TAYLOR. Oh, no; the Central Powers have perfectly adequate transportation, but they lack the material.

The CHAIRMAN. Is it not a fact that we put an embargo on wheat and wheat flour and they can not buy it?

Dr. TAYLOR. I do not know anything of that situation.

The CHAIRMAN. That is a fact; and I simply want to voice my protest right here against it. I had a letter from a prominent citizen of my own State to-day, in which he said that some people which he knew in Germany had the money to buy the wheat, were not able to obtain it. Of course the Government of the United States placed an embargo upon it and there has been an embargo, which, so far as I know, has not been lifted, and still the people are crying for bread and starving to death, and yet the Government of the United States is unwilling to release it and let it be exported. So far as I am concerned, the war is over, and I think it is time these public officials are made to account and to give facts.

Senator RANSDELL. Dr. Taylor, will you answer my question now as fully as you can, outlining the total sugar available in the United States and our island possessions and in Cuba, and as far as you can give us a survey of the sugar of the world, that is, if you have the information?

Dr. TAYLOR. Senator, the latest estimates of the American crop, which you of course possess, are that it will run, with all of the colonial sugar, something like 2,100,000 tons, or somewhere in that neighborhood.

Senator RANSDELL. That is of the United States?

Dr. TAYLOR. Porto Rico, Hawaii, and Philippines, altogether.

Senator RANSDELL. Could you itemize that just a little, if you have the figures?

Dr. TAYLOR. Yes; the sugar crop is something over 900,000 tons for the United States—long tons of 2,240 pounds. The beet figures of the sugar trade run in the neighborhood of 840,000 tons, according to different observers, and the cane figures run 117,000 to 138,000 tons.

Senator RANSDELL. For Louisiana and Texas?

Dr. TAYLOR. Yes; the Philippines run about 170,000 tons; of the Hawaiian Islands it is given at present at the rather high figure of about 550,000 tons; the Porto Rican is supposed to be in the neighborhood of 300,000 tons. These added together would give 2,100,000 tons for the entire United States and its island possessions; and I am sure these agree with the figures.

Senator CAPPER. How nearly does that come to a normal production?

Dr. TAYLOR. It is a very good production. The increased beet production has offset the loss in Louisiana cane, and the islands have all done well; so it is a very good production.

Senator RANSDELL. So we really have the full normal production of sugar this year in the United States and our possessions?

Dr. TAYLOR. Practically speaking.

Senator RANSDELL. How about Cuba?

Dr. TAYLOR. Cuba is supposed to have for export 4,300,000 tons.

Senator RANSDELL. That is over and above what its own people will need?

Dr. TAYLOR. That is what is supposed to be there. Assuming 200,000 tons have been purchased, it would leave 4,100,000; that 1,000,000 tons were supposed to be purchased at option by Europeans, outside of England, and we would have 3,100,000 tons. There would, therefore, have to come out of Cuba whatever England may require above her purchases in Mauritius, Java, and elsewhere. The indeterminable factor is, of course, the Javan crop. The Javanese had stored a great deal of sugar during the war, and it was at a very low price. The Japanese, having high wages, at once increased their consumption of sugar, and the Chinese, who never had sugar, learned to eat it, and the Chinese apparently desire to continue that consumption of Javanese sugar, and there is no indication that the Japanese desire to lower their consumption. Therefore the world has to-day a heavier consumption of Javan sugar in Asia than during the war, and the exportable surplus in Java is supposed to be 1,300,000 tons. Therefore the amount that Java would have for shipment in one direction to Asia and in the other direction to Europe, is a question no one can foresee.

Senator RANSDELL. Is that their normal production?

Dr. TAYLOR. She has a production considerably more than 1,300,000 tons. The total cane crop of the world has appreciably increased, while the beet has lowered. There is a production of about 17,000,000 tons and under ordinary conditions that would have been regarded as a very good sugar crop of the world, but the countries who want sugar are the countries that lack buying power to purchase it.

Senator RANSDELL. We have about 2,100,000 tons in our own country?

Dr. TAYLOR. Yes.

Senator RANSDELL. And there is 3,100,000 tons in Cuba over and above this one and a quarter million which has already been bought or bargained for?

Dr. TAYLOR. Yes.

Senator RANSDELL. Part of which was bought by our own refiners?

Dr. TAYLOR. The 200,000 tons.

Senator RANSDELL. What they will do with it we do not know. You do not know whether it is still there or has been exported?

Dr. TAYLOR. I do not know anything about it.

Mr. ZABRISKIE. It may be nearer four million.

Dr. TAYLOR. That is an optimistic estimate for Cuba.

Senator RANSDELL. So, then, to supply the United States we have 2,100,000 tons of our production and we have got our tariff before we can any of the 3,100,000 remaining in Cuba?

Dr. TAYLOR. Yes, sir.

Senator RANSDELL. Please tell me how much you estimate the normal consumption of the United States to be. Can you tell us what it was last year, 1918?

Dr. TAYLOR. Of course there was repression last year, and it was considerably less than this year. Is it not fair to go back to a normal year? We have consumed back in 1914 as high as 88 pounds per person per year, and then for the next year or two it dropped down to 81 or 82 pounds per person. If we were to take our present population and figure what those of us who study nutrition would have regarded normal, we would have just about 4,000,000 tons. On the other hand, the American people do not regard that as a normal figure. They feel they are dreadfully reduced if they do not get 4,500,000. The enormous increase in the consumption of soft drinks and candies has given us an increase of 57 per cent. So the question is what you define "normal consumption." If our people consume sugar as they have from the 1st of January this year to the 1st of October, it will possibly be 5,000,000 tons, because there is apparently no limit to their desire to consume. On the other hand, if the American people would return to prewar basis, it would be 4,000,000 tons.

Senator RANSDELL. Would the price of sugar have no effect on the amount of sugar our people would consume?

Dr. TAYLOR. I have been unable to see anything that interferes with the American's desire to purchase at present. I understand that the Americans are buying the highest prices of goods and allowing the perfectly serviceable to stand uncalled for. They are not trying to economize, and I think it would be an assumption whether they would consume less of a higher-priced sugar.

Senator RANSDELL. Do you remember what the price of sugar was in 1913?

Dr. TAYLOR. I do not know for certain.

Senator RANSDELL. I understand it was about 4½ cents.

Dr. TAYLOR. Mr. Zabriskie tells me it was about 6 cents; at present it is 11 cents.

Senator RANSDELL. Assuming we would consume 4,500,000 tons next year—that is the extreme—that we have 2,100,000 tons in this country, we would then have to get from some source 2,400,000 tons to be exact?

Dr. TAYLOR. Yes.

Senator RANSDELL. Then, you take 2,000,000 from this surplus in Cuba, and it would still leave several hundred thousand tons there?

Dr. TAYLOR. Without any provision for England, France, and Italy.

Senator RANSDELL. Who buys it?

Dr. TAYLOR. It is purchased largely by professional traders, as I understand it. For example, the purchases for Scandinavia, Switzerland, and Holland are partly undoubtedly for resale and partly for their own consumption. The entire purchases of the neutral countries are partly for their own needs and partly speculative.

Senator RANSDELL. It goes to Europe somewhere? For instance, England?

Dr. TAYLOR. I do not see why the Englishman should allow his sugar to be bought through middlemen and pay a profit.

Senator RANSDELL. The reason I said England was that some seemed to think England had purchased a good deal of that Cuban crop.

Dr. TAYLOR. I do not think there is any way of knowing, from the point of view of the Englishmen, that they regard their situation as anything more than purely speculative. They have not determined how much they are going to get or where they are going to get it, and they have not really gone into the Cuban market at all.

Senator RANSDELL. Then, just to pursue the figures: If there is 1,200,000 of the Cuban crop already disposed of to somebody, and we have several hundred thousand more in addition to this extreme demand for 4,500,000 for the American people, there will be practically 1,900,000 tons of this Cuban crop to go to Europe.

Dr. TAYLOR. Yes; if they took it all. That assumes our consumption is held down to 4,500,000.

Senator RANSDELL. But 4,500,000 would certainly be much more than we had before.

Dr. TAYLOR. In the present temper of the American people, I do not know whether it will not go higher.

Senator RANSDELL. Was it not about 3,600,000 tons last year?

Dr. TAYLOR. I have not seen the revised figures of the Food Administration and Sugar Equalization Board, but I am advised it was between 3,600,000 and 3,700,000 tons last year.

Senator RANSDELL. So if you got up to 4,500,000 tons next year you would be going some?

Mr. ZABRISKIE. You understand that was under restrictions.

Mr. GLASGOW. This year it is much more than that.

Dr. TAYLOR. Yes; we are "going some."

Senator RANSDELL. What will it be this year?

Mr. ZABRISKIE. About 4,500,000.

Senator KENDRICK. Have you stated what our relative advantage in buying sugar was per pound?

Dr. TAYLOR. As against England it is 1½ cents a pound on the exchange rate: as against France, between 4 and 5 cents a pound; and as against Italy it is practically double. The Italian exchange is down to about 50 per cent. That is the edge we have on them on the exchange alone.

Senator KENDRICK. Then it ought to be relatively easy for us to compete?

Dr. TAYLOR. Under those conditions they are at this disadvantage—they are also desperate, which we are not.

Senator MCNARY. Taking preware years as a basis, can you give the figures so that I may know where and how much England, France, and Italy will have to go out and acquire in the open market of the world?

Dr. TAYLOR. The normal consumption of sugar in Great Britain was fairly close to 2,000,000 tons with their present population. She has supposedly at her disposal 300,000 tons from Mauritius and Reunion Islands. She is in the market for probably 200,000 tons in Czechoslovakia, which, of course, is a very difficult trading proposition. She is in the market for examounts in Java; she has an amount of colonial sugar in the West Indies, which, if she could secure at all and mobilize it, might amount to 200,000 tons. It is, therefore, apparent that somewhere she might get that much if she got it all, could she not, Mr. Zabriskie?

Mr. ZABRISKIE. Yes.

Dr. TAYLOR. If she could secure these she would have—exclusive of Canada—she might have some 900,000 tons. There would, therefore, be to get her back to normal 1,100,000 tons. The crop of France will probably not be over 125,000 tons, so that France has got to go out if she wants to go back to normal and get 800,000 or 900,000 tons. So the two nations, England and France, will need almost 2,000,000 tons to get back to a prewar rate of consumption.

In the case of Italy it is very difficult to make a statement, because her consumption of sugar was so much less. But you might put down 100,000 or 200,000. On the other hand, the Italians have changed their habits of diet during the war. But the three nations, if they wanted to put the people back to where they were, might consume 2,300,000 or 2,400,000 tons outside of their own production, which they used to secure from Germany, Austria-Hungary, and Russia, and now they do not secure, except 200,000 tons which England might get from Czechoslovakia.

Senator KENDRICK. Eliminate Russia because of her poverty in purchasing power. Then, if those three nations want to go back to prewar normal consumption basis, there is only one reservoir from which to draw, and that would be Cuba?

Dr. TAYLOR. Cuba and Java. In other words, practically speaking, they would demand, on the basis of prewar times, as much as the figure we showed was left in Cuba.

Senator KENDRICK. Dr. Taylor, is it not true that the so-called neutral countries—the countries that were neutral during the war—have to also make demands upon the Cuban sugar?

Dr. TAYLOR. Naturally.

Senator RANSDELL. I believe you stated that, with the exception of the neutral countries containing 17,000,000 to 20,000,000 people, that is, excluding Spain, that we would have a very great advantage over England, France, and Italy, and those other countries, because of the very high rate of exchange?

Dr. TAYLOR. Measured by the purely financial power.

Senator RANSDELL. Regardless of the fact that we are producing a great many things which Cuba needs and they are not producing?

Dr. TAYLOR. That's true.

The CHAIRMAN. Is it not true that the Scandinavian countries, together, have great buying powers?

Dr. TAYLOR. The three Scandinavian countries have an excellent buying power.

The CHAIRMAN. They have been trying to buy wheat from us; we have wheat to sell, and still they have to go to the Argentine.

Dr. TAYLOR. They, of course, have made a great deal of money.

The CHAIRMAN. They begged us for wheat and could not get it.

Dr. TAYLOR. For two years they had an exchange premium averaging 20 to 30 per cent, and they have become rich during the war; on the other hand, their population is relatively small, and even with a large sugar ration it would run into only relatively small figures.

Senator GAY. Dr. Taylor, the reason for the increased consumption, in your opinion, is due to the low price in this country?

Dr. TAYLOR. In my opinion, the increased consumption is due to four things. In the first place, with a certain faction of the population the low price has its effect. Sugar is to-day, from a calorie standpoint, right down with bread, a very cheap food per calory compared with most foods in the American market. Exactly what proportion of the American people are buying their foods on the budget basis, I do not know. I have assumed that it was not a very large proportion. Secondly, there is the rebound after a period of repression, heavy with a temperamental people like ours, who have done a great thing and come out finely; thirdly, the exaggerated standpoint of living which is apparent on the face of every city every day; and, fourthly, the consumption of these two particular articles—candies, in a broad sense, and soft drinks—have increased enormously. To what extent this is largely a splurge by girls who formerly did not have extensive spending money; to what extent men who have been in the habit of using intoxicants and who can not now get a drink and are eating candies, I do not know. Those are the four factors. I see no reason why any one of them should diminish during the coming year.

Senator KEYES. Sugar is the lowest priced of all articles of food?

Dr. TAYLOR. One; sugar is a low food per calorie.

Senator KENDRICK. The lowest except beef.

Senator GAY. I think some might take exception to that.

The CHAIRMAN. Before you get away from that, I wanted the doctor to answer a question on the food subject. I do not think he ment to say that the price of sugar is as cheap per calorie as the price of wheat; I think what he meant——

Dr. TAYLOR (interposing). I said "bread."

The CHAIRMAN. Based on the bread bought from the baker, of course. You would not say that was as cheap as wheat if the woman bakes her own bread?

Dr. TAYLOR. No; because a pound of flour yields about 1,600 calories—a little less than in a pound of sugar in toto—and, of course, one costs about 6¼ cents and the other costs 11 cents. The statement I made was that sugar ready to serve and bread the bakers had ready to serve—I did not say flour.

The CHAIRMAN. I want that understood because of the statement of my good friend from Louisana.

Senator GAY. I simply wanted to bring out the fact that sugar is one of the cheapest articles of food in the United States at this time.

Dr. TAYLOR. It always is by the calorie judgment.

Senator GAY. Dr. Taylor, according to the statements you have made, there is no visible shortage of sugar in this country?

Dr. TAYLOR. If you judged solely from the point of view of price-buying capacities of the different competitors in the world.

Senator GAY. Judging it from the crops that have been estimated, the estimates you have given for the United States, the domestic sugar, that from our insular possessions and the normal amount that is bought from Cuba, there is no visible shortage of sugar for the United States?

Dr. TAYLOR. There is, as between the United States, England, France, and Italy—those four—a visible shortage. That there is no visible shortage for us is an expression of our greater buying power than theirs. There is no way of stating what our normal purchase of the Cuban crop will be, if you wish to go back to prewar periods.

Senator CAPPER. But are we on ration still?

Dr. TAYLOR. I am not in a position to discuss that.

The CHAIRMAN. Answer the question. You are with the Agricultural Department.

Dr. TAYLOR. I was the representative of the Agricultural Department on the War Trade Board, and I am hanging over simply for the purpose of being of any service I can.

The CHAIRMAN. Did you make any investigations, or were you instructed to make any investigations, as to any other food except sugar?

Dr. TAYLOR. All the foodstuffs of Europe were studied.

The CHAIRMAN. Were you making the same line of study of wheat and wheat flour?

Dr. TAYLOR. Yes; the same general line of studies have been carried through all European productions and importations and needs.

The CHAIRMAN. Just so that we do not overlook that altogether, would you kindly state to the committee briefly what the world supply of wheat is? For instance, would you say that there is an overproduction of wheat in the world?

Dr. TAYLOR. There is not.

The CHAIRMAN. We have been told that.

Dr. TAYLOR. It all depends upon the definition of the word again.

The CHAIRMAN. Will you give us the same explanation on wheat that you have given on sugar?

Dr. TAYLOR. It is merely a question of the place in which the supplies are located. Europe used to import—that is, the importing countries of Europe—from overseas and from the export countries something like 14,000,000 or 15,000,000 tons of bread grains per annum before the war. For instance, of this about one-third came from Russia, Hungary, and Roumania and two-thirds from overseas. Now, Europe, if she had the same ration, of course, would be compelled to import, leaving aside for the moment her own crops, 15,000,000 tons of bread grains. Russia can give her nothing. She must therefore look entirely overseas for that.

As against that we have a large crop. The Canadian crop is, of course, known to you, and there is a storage of wheat carried over

in Argentina and Australia, and there will be again an exportable surplus in India. If you would pool the entire stored-up wheat as against the world that can buy wheat and eliminate Russia, both as an importing and exporting factor, you could say that there is from the standpoint of the amount available no scarcity of wheat in the world. But from the transportation and localization standpoint there is a scarcity for the reason that you have again the problem of buying power of the purchasing countries involved. The amount that has been lost from the deficit of Russia and the deficit of the European crops has been covered by the production in this country, Canada, Argentina, Australia, India, and the stored amounts in those two large southern countries.

The CHAIRMAN. We are in practically the same condition as to wheat that we are as to sugar?

Dr. TAYLOR. If the wheat could be handled, transported, and financed evenly. With us it is production; with the other countries it is, at least partially, storage.

Senator MCNARY. Doctor, if there are no further questions, we thank you for your statement as the result of your survey of the conditions in Europe and elsewhere.

The committee will now hear Mr. Glasgow.

STATEMENT OF MR. WILLIAM A. GLASGOW, GENERAL COUNSEL SUGAR EQUALIZATION BOARD, NEW YORK.

Mr. GLASGOW. Mr. Chairman, as far as the Sugar Equalization Board is concerned, Mr. Zabriskie is the president of it and I am its counsel.

I want to make it perfectly clear that that board is not pressing any legislation on Congress. The members of that board will be delighted at the end of the 31st day of December this year to wind up its affairs and get out of the way. They have expressed in the recommendation which was exhibited here and sent to the President and to you at the committee hearing the other day their views in reply to questions which have been asked as to what they thought could be done for the coming year in their judgment. It is a matter for Congress to determine.

You have asked me to prepare a bill setting forth certain powers, as we thought it necessary for that board to have if Congress thought it was proper to purchase the Cuban crop of sugar next year. I prepared that bill and forwarded it to you, as, in our judgment, what was necessary in case you should determine it was desirable to purchase that crop. We are not pressing that bill before Congress or before this committee.

I do say, Mr. Chairman, on behalf of that board, that the powers in that bill are absolutely necessary to have, in our judgment, if you should decide to purchase the Cuban crop.

Senator RANSDELL. Could you make that clear, Judge?

Mr. GLASGOW. The powers in the bill, as I drafted it, we think absolutely essential for the protection of the United States if the Congress should determine that it was desirable to purchase the Cuban crop of sugar.

Senator RANSDELL. Now, why?

Mr. GLASGOW. I can see nothing, Mr. Chairman, nor can the board see anything that can be accomplished by it in the purchase of the Cuban crop, if the sole function of the Sugar Board is to go there and buy it and feed it out to the refiners and they feed it out in return to the middlemen, and they feed it out in turn to the dealers for speculation in the United States. Why not? In our judgment it is better to let the speculation begin with the refiners, purchasing from Cuba, and there is no occasion whatever for the Sugar Board to intervene and purchase the sugar crop in Cuba and give it to the refiners and feed it to them in the proportions which may be agreed upon for them to take and speculate on—some of them perhaps might—or the men they sell to to speculate upon and the American consumer pay the bill of the speculation. If Congress thinks it is all right to let the thing go along, it is entirely satisfactory to us. But our position is that there is no useful function for the Sugar Equalization Board to accomplish unless it is for us to try to fix upon a fair and reasonable price for the purchase of the raw, and a fair and reasonable price for the refining, and a fair and reasonable price of margin to the dealer and get the sugar to the consumer at a reasonable price, outside of speculation, and a uniform price throughout the United States.

Do I make it clear now, Mr. Chairman, as far as the license feature is concerned?

Senator MCNARY. Your position is clear to me.

Senator RANSDELL. I want to ask you, before you get to the embargo, to explain just why it is that your board could not purchase the crop of Cuba, or such portion as you think we ought to have, and instead of selling it to the refiners, enter into a contract with the refiners to refine that sugar for you, put it in the shape to market, and then sell it at some stabilizing price, which I imagine you could fix; name the price at which the wholesalers would buy it from you, and could you not through the force of publicity and public opinion, by naming the price through the press, that you had sold it to those wholesalers, and stating what would be a fair price for the wholesalers to the retailers, and for the retailers to the consumer?

Could you not in that way practically stabilize the price of this great commodity to the consuming public and prevent anything like an enormous rise in the value of sugar?

Mr. GLASGOW. As I understand you, Senator, your question goes to the point that we are to buy the sugar and have it refined on a fair basis by the refiners, and then the Sugar Equalization Board take it——

Senator RANSDELL (interposing). Even if that required an additional appropriation of Congress.

Mr. GLASGOW. We have it refined and the sugar board sell it to the wholesale dealer, then by the power of public opinion stabilize the price and prevent speculation?

Senator RANSDELL. Yes.

Mr. GLASGOW. I have very great doubts in my mind as to whether that would be effective. It would be in war time, but I think it would be very doubtful if it would be effective now. However, if it was an effective regulation, and if it is a desirable regulation, there is one way to make it effective and one way to make it efficient, and that is by licensing, so far as we know.

I can not see any difficulty or any dissension, if the purpose accomplished is a good one, why you should feel that it should be accomplished any more by publicity and running down and blacklisting a fellow rather than putting him under license.

Senator RANSDELL. I think I can draw a very decided distinction there. In the case I have stated, we go into a foreign land and buy a foreign commodity and import it into this country and pay our duty on it, and then handle it in a business way, not interfering with anybody. In the other, by licensing, you interfere very materially.

Mr. GLASGOW. I can not agree with you.

Senator RANSDELL. Let me state my mind. You interfere with the producers of 2,100,000 tons in Cuba.

Mr. GLASGOW. I agree with you about that, Senator.

Senator RANSDELL. You interfere very materially; you completely destroy the ordinary rules and regulations prevailing in peace times, the ordinary laws of supply and demand by your licensing. You do not interfere with anybody or any of these laws of supply and demand by going into the market and buying that two and a half million tons of Cuban sugar and selling it the way I speak of. You are a Government agent and that becomes a Government asset.

Mr. GLASGOW. I agree with part of your statement. I think this is a serious interference and probably a more undesirable method of interfering with the law of supply and demand; more undesirable than the license is for the system of blacklisting the man who sells at a price he is not to sell at.

Senator RANSDELL. You put into my mouth what I did not say. I did not say "blacklisting." I simply said publish to the country the price at which you are selling to the wholesaler and what in your judgment would be a fair price for the wholesaler to furnish to the retailer and what would be a fair price for the retailer to furnish it to the consumer. There is no blacklisting in that.

Mr. GLASGOW. We have got to follow that up with the publication of the man who does not observe the rules.

Senator RANSDELL. I do not ask you to do that; the communities would do that.

Mr. GLASGOW. Then, my only conclusion is that it would be ineffectual. When it comes to the question—do not misunderstand me—I am just giving you my judgment about the thing. I would be very glad if you gentlemen would determine not to do it, perfectly delighted—but here is the situation I want to bring out, Senator: As far as the part of the crop in the United States which you refer to is concerned, I am entirely in sympathy with your views upon it, and I think the United States Sugar Equalization Board can afford by reversing the policy that it adopted last year, as far as Louisiana producers are concerned, to buy the Louisiana crop, take its loss on the Louisiana crop in order to have an equal price base upon the Cuban purchase, rather than to have the whole Cuban price brought up to the basis of our own.

Senator RANSDELL. How could you buy our crop and not buy the beet sugar and the Hawaiian crop and the Porto Rican crop and the Philippine crop?

Mr. GLASGOW. Because I know that upon a price of 10 or 10½ cents the beet-sugar producers will make money, and I know that our pro-

ducers in our own country—the cane producers—will not make money. That is the only distinction I make, and I say the same thing as to Porto Rico. I am not advocating and not suggesting it, but I merely make this answer in reply to your question whether we should disregard the interests of our own people—I do not think so; and I think that if this plan were put through that some reversal, so far as our own cane-sugar crop is concerned, ought to be carried out in the United States for their protection, just as we protected ourselves in taking what the Cuban would have gotten last year, the $38,000,000, rather than for it to go to the refiner. That is my answer as to whether I felt any interest in protecting our own country—I do.

Dr. TAYLOR. Let me ask hypothetically as to what the influence of publicity would be. The European countries have all tried this since the armistice with different commodities. They have all found it a failure, and they have either been compelled to let it go entirely or go back to the old control. Public opinion did not hold the operations of the trade down, and they had to put the control back. You have either got to have effective control or go back to the natural system.

Senator RANSDELL. Then your idea would be, if we are not going to give the effective control, such as the Sugar Equalization Board asks for, not to buy the Cuban crop and do nothing?

Mr. GLASGOW. That is exactly our position. We are not trying to press you to give us control, but if you by your acts tell us to buy that sugar, give us the power that is necessary to exercise and the power of publicity to which you refer, Senator, we think is absolutely insufficient.

Senator RANSDELL. I am not suggesting that that be done; I was asking if it could not be done. I am putting it as an inquiry and not as a suggestion coming from myself.

Mr. GLASGOW. I understand. Our position is certainly clear, and I want it to be made clear if I can that if you gentlemen determine that we ought to buy this crop, give us the powers that are absolutely essential to carry it out; if you determine it is undesirable to buy this crop, then do not make the purchase and let the refiners buy if they can in the markets upon terms.

Senator MCNARY. Upon that point—and I think it very vital—if Congress simply authorized the Sugar Equalization Board, and gave it the power to acquire the balance of the Cuban crop, you would not desire to function unless you had the power of license and the power of placing embargoes?

Mr. GLASGOW. Absolutely. We have got to control the refiners in the United States in order to accomplish any good by the purchase of that crop.

Senator MCNARY. You have operated the last two years under a license system, have you not?

Mr. GLASGOW. Oh, yes. We can not keep the refiners together unless we have the control.

Senator MCNARY. Has anybody complained of hardness of your control?

Mr. GLASGOW. No, sir. The refiners and everybody I know of are in accord with the fairness of the way the matter was conducted. Of course, there have been scarcities of sugar which are explainable from our point of view. But the refiners, as I understand it, are to a unit in accord with us—are in accord with our control.

Senator McNARY. As provided in an act introduced some time in the month of September to employ this same method with respect to licensing this year as during the last two years?

Mr. GLASGOW. Exactly; that is the only way we can see we can be of any service to the American people.

Senator RANSDELL. I want to know, Judge, how you expected to handle this Cuban crop when you sought authority from the President in August and again on September 22. Did you contemplate that you must have legislation in addition to his authority?

Mr. GLASGOW. Yes, sir; and so stated in the memorandum furnished to the President. You said, "When you sought authority from the President." We did not do that. We suggested to him that, in our judgment, we thought the Cuban crop ought to be bought as a commercial proposition. As to the question of whether it was good policy or not, that was not for us to determine, but the administration must determine the policy. We stated, however, in the same memorandum, that if it was determined that it was the policy of the Government to do it, certainly legislation would have to be asked of Congress in order to continue the operation of that license.

Senator RANSDELL. And that is practically the same legislation you are suggesting to the chairman now?

Mr. GLASGOW. Exactly.

Senator HARRISON. You said without the license system it would be ineffective?

Mr. GLASGOW. Yes, sir.

Senator HARRISON. That the consumers would have to pay too much without the license system. Have you overlooked the fact that very recently, in order to take care of the situation and in order to get at the profiteers, we put a penalty in the food-control act and extended the life of it, so that if those folks did charge too much that the Attorney General should have power to go in and prosecute those people?

Mr. GLASGOW. I did not overlook that. But the most difficult thing, next to perjury, is to prove a man is a profiteer. In my judgment, there are a few flagrant cases that might lead to conviction; but, in my judgment, it is entirely insufficient as to protection against speculation and excess prices to have a penalty on a man for profiteering. The profiteering will be going on, and the fellow will prove he bought at 14 cents and that he sold at 14¾ cents, and no jury will convict him of profiteering.

Senator HARRISON. The Congress took a different view, because those bills were passed unanimously.

Mr. GLASGOW. I have differed so often with Congress that it has no terrors to me, in the past years, and it has less now.

Senator McNARY. I want to make this statement in regard to Senator Harrison's statement: I do not think Congress has prolonged the life of the Food Administration bill; it expires automatically two months after the peace treaty is signed.

Senator HARRISON. I was in error about that.

Senator McNARY. It provides against charging unreasonably, whereas the old system operates under license.

Mr. GLASGOW. I had a talk with the Attorney General about that talk of penalty on profiteering and I told him that in my judg-

ment—and I think it is a reasonable conclusion—that unless there is some act passed by Congress defining what is profiteering, fixing a price and holding all above that as profiteering, that it was entirely inefficient, because you would have every jury over the country passing on the question of whether it was profiteering.

Senator HARRISON. That was the argument made against it.

Senator KENDRICK. I wish to ask either some member of the committee or the Judge wherein the hardships of the licensing system lay during its operation.

Mr. GLASGOW. Of course, we had under the Food Administration the right to license everybody except retail dealers and wholesale dealers who did a business not to exceed $100,000 a year.

Mr. Zabriskie and I have had as much experience with the questions of licensing as anybody else in the Food Administration, and I have not heard any complaint from anybody that they were unfairly treated.

Senator KENDRICK. You have not had any complaint?

Mr. GLASGOW. No, sir; and there were very few cases in which license had to be revoked, and it ought to be said in justification of the American people that they performed as a whole their patriotic duties as citizens under the license.

Senator KENDRICK. And were there, so far as you know, very great economic hardships worked on people who were licensed?

Mr. GLASGOW. There were not, that I heard of.

Senator GAY. I think there is a difference of opinion. I think the patriotism of the people kept them from complaining.

Mr. GLASGOW. That may be true, Senator. There may have been some cases where injury was done to them, but I say, as having had the charge, I do not know and have not heard of those complaints.

Senator KENDRICK. What I am anxious to determine is just how that hardship was inflicted, as to whether it prevented people from fixing too high a price or in what manner it did occur.

Mr. GLASGOW. I do not know that there were hardships.

Senator KENDRICK. What did a hardship on the part of the dealers—that they were not allowed to charge more than a reasonable price; was that the hardship?

Mr. GLASGOW. Senator, we called, usually, all the trades in and ascertained by conference with them what was a fair margin of profit and dealt harmoniously with them, so far as I know. I do not know of any complaint of a serious kind. Of course, there may have been one man here and there and elsewhere who felt aggrieved. But as a whole I did not hear any substantial complaint against the licensing system as carried out.

Senator HARRISON. It has come to me—I do not live in Louisiana—but I have heard it said if you have a license system on these producers of sugar cane——

Mr. GLASGOW (interposing). We never had it on the producers of sugar cane.

Senator HARRISON. I had the impression——

Mr. GLASGOW (interposing). Oh, no; we never had it on the producers of sugar cane.

Senator HARRISON. I thought probably the license system might affect those people so that they would not manufacture sugar this time.

Might just plant what they have already raised for the following year. And if it were not possible, Judge, in the writing of this law, if we are going to buy the Cuban crop of sugar, and it does look to me as though we should have to do that, that we might not impose this license and eliminate probably the effects of the licensing system on the cane-sugar productions of Louisiana or the beet-sugar producers of the United States.

Mr. GLASGOW. I do not see—exactly what do you mean? We never had a license on the producers of sugar cane; we had it on the refiners.

Senator GAY. You had it on those who manufactured sugar from the sugar cane, and therefore it affected the producers.

Mr. GLASGOW. I was not saying it had no effect.

Senator GAY. The man who actually grew the cane was not licensed, but the man who bought the cane and made it into sirup—low-grade sugar—no matter what grade, was licensed. If he was a refiner he was licensed and controlled, because it regulated the price of the commodities.

Mr. GLASGOW. And the licensed producers, so far as I know, entirely went into that agreement.

Senator GAY. And lived up to it all the way through?

Mr. GLASGOW. And were satisfied.

Senator GAY. Then this system changed entirely the system of marketing, and many men who were in the business of marketing sugar practically were put out of business under this licensing scheme, as I understand it.

Mr. GLASGOW. What do you mean by that, the intermediaries or the middlemen?

Senator GAY. There are representatives here who could possibly explain that better than I can.

Mr. GLASGOW. Or than I can, Senator, because I do not know anything about it.

Senator GAY. But, as a matter of fact, there were many men engaged in the business of making sugar who were practically put out of business on account of this licensing.

Senator RANSDELL. Were not the manufacturing producers in Louisiana practically the same people in many instances?

Senator GAY. Absolutely. Many of them there simply manufacture sugar from the cane that they themselves grow.

Mr. GLASGOW. I have not heard any complaint either by the producer or the man who was refining his own cane sugar under this license system that we have. The fact of the business is, and I know that last summer—those conditions have now changed—the then representative of the Louisiana cane producers was very insistent in two conferences I had with him that the control should be extended over this year and I was very much opposed to it.

Senator HARRISON. In view of these statements and the fact that it might curtail production in the United States and that the sugar growers are against it, could we not eliminate the producers in this country as touching the license features.

Mr. GLASGOW. You do not quite catch the purpose of this control. The purpose and effect of this control was not to decrease the proper production of sugar in the United States, but to increase it.

Senator HARRISON. I understand that thoroughly. But when the cane producers say that if you impose the license system that they will not manufacture their cane into sugar, but will plant it and wait until next year when the license system will not apply, so that they could perhaps get a better price for their crop, being removed from these restrictions, it seems to me a very serious restriction and that we might very well eliminate that from this proposition.

Mr. GLASGOW. I have never heard of that. I understood that the small crop of cane sugar in Louisiana this year was due to climatic conditions, and not to any regulations.

Senator HARRISON. I do not think you understand me on that. That is very true, but rather than have the licensing system imposed on them, instead of manufacturing their cane into sugar, they are just planting it again, and to that extent it would curtail the sugar production in the United States.

Mr. GLASGOW. I have not heard of that suggestion; I do not believe it. I do not believe that the Louisiana cane producers, if they get what they got last year by their agreement, a price that was then considered reasonable——

Senator HARRISON (interposing). Representations come to me from Louisiana people to that effect, and I am very much in hopes that we can get together on this proposition.

Mr. GLASGOW. I do not know how we can get together if that is true. If you give us cartel to go down to Cuba and purchase that sugar, and do not give us control, as we have had it and exercised it we hope in an orderly way, we hope that the refiners and the dealers so far as our exercise has been heretofore, you have got us in a position where no good would be accomplished.

Senator HARRISON. Could you apply it to the Cubans and not apply it to the others?

Mr. GLASGOW. There is no way in which I see it can be so applied, because I have just as much interest in treating our own people fairly as anybody could possibly have, and especially any agricultural district of our country, and if the Louisiana growers are going to lose money, there is no use on the face of the earth, I think, for the Sugar Equalization Board to use such proportion of its accumulation from the process of last year on the Cuban producer or refiner, for the purpose of saving our own people and reversing exactly the process followed last year to save our people their crop.

That does not apply to the beet situation; it applies to that one local situation. There is no reason why it should not be done, rather than bring all the sugar up to a price of 17 or 16 cents from Cuba, Porto Rico, and elsewhere in order that the Louisiana producer might sell his sugar in the market at a price which was fair and reasonable.

Senator KENDRICK. May I ask, Judge, does your license system of controlling the price of this sugar apply only to that which you purchase from Cuba?

Mr. GLASGOW. No, sir; Senator. I will explain briefly: The first thing we did was to have a thorough investigation made of the beet industry in each State where it was produced, thousands of pages of testimony being taken, and the conclusion arrived at with the assistance of the Federal Trade Commission and the cooperation of the beet people, that 9 cents was a price this year fair and satisfactory to them.

We found out the same thing based on cost figures of Louisiana, in cooperation with the producers, that 9 cents would be a fair price. Then we purchased the Cuban crop at 5½ cents, and the price throughout the country was established at 9 cents for refined sugar. But in putting the Cuban crop to the 9 cents refined because of the price at which we bought raw, there was a profit of 38 cents a hundred pounds, which the Sugar Equalization Board now has. The price last year of Louisiana and beet sugar was based upon an investigation of the cost of production and what profit they should have, in which they acquiesced as the fair price of sugar, 9 cents refined.

It was by cooperation; it was by agreement after investigation of cost and what the profits should be that the price was arranged, as a uniform price throughout the United States. If we had not put the Cuban crop to the same 9 cents, the Cuban crop would have undersold the beet and Louisiana. But when it was put at 9 cents by reason of what we purchased it raw for, there were 38 cents loose which the Cubans would have gotten or the refiner would have gotten and the public would have paid.

The result is that we took that 38 cents for the Government of the United States and it is now in the Treasury of the United States Sugar Equalization Board, in which the United States holds the entire stock. That is all briefly set out in this document.

Now, gentlemen of the committee, I am not advocating the Government going into it. In my judgment, as a practical question, outside of theory, because my theory, to which I have always adhered is for the Government to stay out of commercial activity—here is a practical question that the producers, in my judgment, from the best information I can get, that the consumers of sugar will pay after the 1st of January from 15 cents up for their sugar.

The CHAIRMAN. They are paying that in some places now.

Mr. GLASGOW. I can not agree on that.

The CHAIRMAN. Pardon me for making this statement. I want to say this as a matter of fact, that an ice-cream manufacturer of St. Paul told me the other night that he bought 50 sacks of sugar for which he paid 15 cents.

Mr. GLASGOW. But he need not have bought it.

The CHAIRMAN. He could not get it at a less price.

Mr. GLASGOW. I have no doubt that candy manufacturers, plenty of them, pay 22 or 25 cents for sugar; they will pay anything to get sugar.

The CHAIRMAN. I thought you denied the fact that they did so.

Mr. GLASGOW. I said the consumers, and I meant the householders. There has been a uniform wholesale price of 9 cents, and anything above 11 or 11½ cents retail should not be paid.

The CHAIRMAN. But that is put into ice cream and consumed by the public.

Mr. GLASGOW. Of course. I do not deny that there are isolated cases where manufacturers have paid more.

The CHAIRMAN. You say no complaints were made during the war, and I believe there were very few complaints made then. But that was, of course, a war measure. Do you believe that the business men of the country would take kindly to a licensing system now in the same spirit they did in time of war?

Mr. GLASGOW. I do not believe they would, but I do believe from my conferences with the refiners of the country, and I believe from my information as to the wholesale trade in sugar, that they would prefer having a stabilized price during this condition, until the production of sugar gets back to normal; that they would prefer having that to a wild, speculative market. That is as far as I can go on that.

The CHAIRMAN. Is it your belief also, Judge, that unless we have a licensing system that we could not effectively handle the sugar crop and that we had better stay out of it and not buy it?

Mr. GLASGOW. I think, Senator, if we do not have the control which we have put in this bill—I do not say license; I say license and embargo—it is possible you might get through without the embargo, but it would be very useful right now if we had it to keep sugar in this country.

But I say if we do not have the power of control in the form of the license and the embargo I can not see anything to be accomplished by putting the United States Sugar Equalization Board into the act of purchasing the sugar crop of Cuba. Better let the refiners go and purchase it, and there is no place for the Sugar Equalization Board to effectively operate in behalf of the United States and its people.

The CHAIRMAN. As a legal proposition, who would have the authority now to place an embargo on sugar?

Mr. GLASGOW. To-day?

The CHAIRMAN. Yes. Some one has that authority.

Mr. GLASGOW. The War Trade Board would have that authority.

The CHAIRMAN. But that has not been done?

Mr. GLASGOW. It has not, so far as I know. We asked for it in July, in a letter which Mr. Zabriskie exhibited here at the last hearing, and it has not been done. It is a useful thing. But, another thing, Senator, that I think would be very unfortunate would be a flat embargo declared by Congress for any stated period of time, because if you put an embargo on and restrict the outflow of sugar the time may come—and it came this year—when sugar will back up and it will be absolutely necessary to get rid of some of it and there ought to be somebody whom you can trust with the discretion to lift the embargo from time to time if it seems necessary.

Senator RANSDELL. You would not want an embargo also to prohibit our refiners from refining sugar that belongs to other countries?

Mr. GLASGOW. It might do that very thing and deprive our people of the benefit of it.

I do not come here to-day to defend everything that the Food Administration did, or that the Sugar Equalization Board did. There may be gentlemen here who feel we are subject to criticism, but if they will just give me the opportunity and tell me wherein we are subject to criticism I believe we can justify our actions.

The CHAIRMAN. In view of that statement, Judge, I simply want to know if it is not true—I believe it is true—that the President of the United States, and I do not care whom he delegates that authority to—under authority of law has the right to put the embargo on anything during the war.

Mr. GLASGOW. I have said so, and it is as far as I care to go.

The CHAIRMAN. And on wheat that authority has been used. We know that. It has also been used on wheat flour. I was curious to know why it is considered that sugar is more necessary to the people of the United States than is wheat.

Mr. GLASGOW. I certainly never maintained that proposition.

The CHAIRMAN. You know, as a matter of fact, do you not, Judge—at least I state it as a fact—that the production in the State of Kansas has been reduced more than 20 per cent in the acreage sown for 1920 and the cause of it is the unfair practices by the Government?

Mr. GLASGOW. Senator, I am not in a position to discuss the details of the Grain Corporation this morning, nor to take issue with you on it. All I want to say is, as far as the question of embargo is concerned on sugar, as contained in the bill which I drafted at the request of the chairman of the subcommittee, we think there ought to be an embargo power enthused to somebody that it could be put on or lifted, as the occasion may require.

The CHAIRMAN. I find no fault with that at all.

Mr. GLASGOW. I do not want to be put in a position either of wanting any of these powers. Mr. Zabriskie and I would be delighted to have the Sugar Board wind up its affairs on the 31st day of December and get rid of it. But we have given you the reasons why we think that some provision ought to be made to insure to the people of the United States their sugar supply next year. If you are going to pass any legislation at all, I submit to you, do not order the Sugar Board to go in and do the thing and hamstring them by not giving them sufficient power to carry the benefits which you have in contemplation through to the American consumer, in whose behalf you are going to take this action; and that can not be done, in my judgment, unless we can hold the refiners together by regulation, by power in the Government agency to regulate, and carrying that to the wholesalers, and also the power from time to time as necessities may require to prevent the exporting of sugar from the United States for the temporary period that may be necessary by embargo, and lifting the embargo when occasion may show it is no longer essential.

Senator MCNARY. Briefly, Judge, the Sugar Equalization Board does not desire to continue its efforts to control the sugar situation or acquire the 1920 Cuban crop, unless Congress shall enact about such a bill as proposed in the Senate October 19, known as 2119, which was prepared by you?

Mr. GLASGOW. In my judgment, and I believe the board concurs with me, we can not accomplish any good otherwise.

Senator MCNARY. Let me ask Mr. Zabriskie the same question.

Mr. ZABRISKIE. There is no question about that; it is absolutely imperative.

Senator MCNARY. To have legislation similar to the bill of which I have just made mention?

Mr. ZABRISKIE. Exactly.

Mr. GLASGOW. You will note, Mr. Chairman, a proviso which we consider exceedingly important. It is authorizing the Sugar Board to purchase the Cuban sugar, providing contracts can be had with Cuba on reasonable terms. We do not want to go up against the

Cuban people in negotiations for purchase with the absolute requirement by Congress that we should buy.

Senator McNARY. And that is a provision in the bill which was omitted unintentionally from the last bill which was offered.

Senator NORRIS. Judge, you did have authority without any additional legislation to buy the Cuban crop, did you not?

Mr. GLASGOW. We have got the power. This is a Delaware commercial corporation.

Senator NORRIS. It is a governmental corporation.

Mr. GLASGOW. The Government owns the stock. It has the ordinary powers of a commercial corporation.

Senator Norris. The stock was subscribed by the President out of money appropriated by Congress.

Mr. GLASGOW. That corporation would have the right to go down to Cuba and buy the crop.

Senator NORRIS. They have had that power all the time?

Mr. GLASGOW. Yes, sir.

Senator NORRIS. Why have you not bought it?

Mr. GLASGOW. Because we did not know whether we could successfully carry out the purposes of the Sugar Equalization Board unless Congress gave us the power to regulate, through the refiners and the wholesale dealers, the distribution of the sugar.

Senator NORRIS. Ought not the crop to have been bought before this?

Mr. GLASGOW. Not unless we had that power.

Senator NORRIS. But you have the power.

Mr. GLASGOW. When the food act goes, then that goes.

Senator NORRIS. That has not been dropped yet. You said you had the power all the time to buy that crop.

Mr. GLASGOW. Oh, yes.

Senator NORRIS. Why did you not do it?

Mr. GLASGOW. Because we did not know whether it was the policy of the United States to continue the sugar distribution throughout the next year.

Senator NORRIS. The law gave it to you.

Mr. GLASGOW. But, Senator, do you think we would go down there and buy 3,000,000 tons of sugar when our power to dispose of it depended on having the control, when the act might drop any time you gentlemen might ratify or declare peace?

Senator NORRIS. That would have been true all the time since the law was passed.

Mr. GLASGOW. Not as to contracts.

Senator NORRIS. It would have been true just the same as it is now; by making peace it would end the food-control act?

Mr. GLASGOW. Yes; with certain limitations.

Senator NORRIS. And that has not been changed?

Mr. GLASGOW. No; it has not been.

Senator NORRIS. Congress has not changed the law since you have had the authority.

Senator McNARY. I think I can develop that. On the 14th day of August the Sugar Equalization Board, a majority of them, requested the President to authorize them to vote the stock of the Delaware corporation to acquire the 1920 Cuban crop; the proposal was made by the Cuban growers. But for some reason or other action was not

taken; and on the 22d of September the request was renewed, and on the 27th of September the offer was withdrawn.

Senator NORRIS. What did the President do?

Senator MCNARY. No action was taken.

Senator NORRIS. Did he decline?

Senator MCNARY. Maybe it did not reach him. At any rate, no action was taken by the President. However, in order to control the crop of 1920 they asked Congress for special legislation to take up the matter and provide them with authority after the expiration of the Food Administration laws.

Senator NORRIS. That is what they want now?

Senator MCNARY. Yes.

Senator NORRIS. The point I was getting at is, Did they not have authority? Why did they ask the President for this authority?

Senator MCNARY. They thought it was necessary for him as the sole stockholder to vote the stock authorizing the Sugar Board to acquire the crop. He did not take action.

Senator NORRIS. I was trying to place responsibility for the non-purchase of the crop. As I understand, they had the authority to buy it, and made a proposition to buy it if the President would authorize it.

Mr. GLASGOW. With one other proviso: Here is the memorandum we sent to the President. It is in the record. In that memorandum we said that if the policy of the United States was to continue for the year 1920 the activities that the Sugar Board had been engaged in during this current year that it would be necessary to have Congress pass additional legislation continuing the authority that we exercised during the year 1920.

We did not feel, Senator, that we were in a position, without the policy either being declared by the President and approved by Congress, or the giving of the additional powers, that it would be right for us to go and purchase the sugar crop of Cuba.

Senator NORRIS. As a matter of law, the authority existed at that time to buy that?

Mr. GLASGOW. Yes, sir. But I think we would have been very culpable if we had gone on and exercised the power of the Sugar Board to purchase the Cuban crop of sugar unless we knew Congress desired us to continue the control and distribution for the coming year.

Senator NORRIS. If the President had authorized you, would you have done it?

Mr. GLASGOW. No, sir; Not until Congress had given us the powers and they thought it proper. It would come back at last to the discretion of Congress as to whether they desired the distribution of sugar continued.

Senator NORRIS. Would not waiting for all that time interfere with the purchase and cause the offer to be withdrawn?

Mr. GLASGOW. We had the offer to negotiate, and if we had been advised that the policy would be submitted to Congress I think we could have held the Cubans longer and perhaps we can yet make a compromise with them; I do not know.

The CHAIRMAN. You said something that I think ought to be framed in a gold frame, to the effect that you did not feel like asking until Congress had its say.

Mr. GLASGOW. I am not much on these golden frames. I just did not want you gentlemen to put us in the position of buying this crop without an expression as to future policy. I have some respect for what the men I have been associated with have done, and I did not want to be put in the position of making any failure.

Senator RANSDELL. In connection with the question of Senator Norris, I think it entirely fair to the witness and the Sugar Equalization Board that the Senator's attention be called to this memorandum on pages 54 and 55 of the testimony taken before this committee, in which it is very clearly shown that that request to the President was coupled with the idea that the authority which you feel is necessary would be given to you.

Mr. GLASGOW. By Congress?

Senator RANSDELL. By Congress.

Mr. GLASGOW. Yes, sir.

Senator RANSDELL. The President could not give you that authority; that authority would have to come from Congress. I am correct, am I not?

Mr. GLASGOW. Yes, sir.

Senator NORRIS. If I get the right understanding, the authority actually existed. As to whether it was a wise proposition to go on with the acquisition of sugar there is an entirely different proposition. I am not complaining. I wanted to get the facts just as they actually were before the committee. That is all I care for.

Mr. GLASGOW. The authority existed for an indeterminate period. It might have dropped in 30 or 60 days, and if so we would have been in the position of having bought, without the authority to continue, and we felt that until Congress declared that it ought to be continued for the year that we ought not to buy.

Senator MCNARY. In other words, if the President had directed you to purchase the crop you would have come immediately to Congress and asked for legislation?

Mr. GLASGOW. Yes; except that we wanted him to come.

Senator KEYES. The suggested legislation, Judge Glasgow, simply covers a period of the next year; that is, the year 1920.

Mr. GLASGOW. To the 31st of December.

Senator KEYES. I would like to ask if there is any reason for us to think we would not face in another year a similar situation; in other words, is the world likely in another year to return to anything like normal production?

Mr. GLASGOW. We are hoping that the German Empire may by the following year, get back to its production; that Holland and France may increase their production.

Senator NORRIS. That shortage comes about on account of the failure of Holland and Germany and Switzerland to produce their usual quota?

Mr. GLASGOW. Yes.

Senator KEYES. In other words, you think this is a temporary situation and that another year will see us through it?

Mr. GLASGOW. I hope so, if people will work and produce. Anybody can guess about that.

There is just another thing, Mr. Chairman, because the committee may be mislead. I refer to the question of whether we can make a

contract with the Cubans in a representative capacity—that is, anybody representing a substantial part of the Cubans to-day is in a position to negotiate, which I would like Mr. Zabriskie to tell you gentlemen about.

Senator GAY. There are some gentlemen here from Louisiana who could answer some of the points attempted to be brought out when Mr. Glasgow was on the stand, particularly regarding the licensing system and how it operates.

Senator MCNARY. Would they be willing to act through a spokesman? I personally must go to the Senate very soon.

Senator GAY. I think they would, and no doubt Mr. Dickinson could speak for them.

Mr. DICKINSON. I do not want to interrupt your proceedings, but I do want to say that I came up here all the way from New Orleans last week, and had to go back home, and on about 15 minutes notice by Senators Ransdell and Gay I have come up here again.

Mr. GLASGOW. I do not think you ought to have the record closed without the statement of whether the Cuban crop could be purchased.

Senator MCNARY. I want to ask Mr. Zabriskie a question on that point. I have before me the Congressional Record of October 13, 1919, containing a copy of the telegram sent to the Hon. President of the Senate of the United States of America, Washington. [Reading:]

SANTIAGO, CUBA, *October 11, 1919.*

Hon. PRESIDENT OF THE SENATE
OF THE UNITED STATES OF AMERICA,
Washington.

In the name of the Association de Hacendados y Colonos de Cuba—that is to say, the Manufacturers and Sugar Planters' Association—I beg to inform you respectfully that no person is authorized to legally negotiate the sale of the coming Cuban sugar crop.

ALEJO E. CARRENO,
President of the Association.

Do you know anything about that?

STATEMENT OF MR. GEORGE A. ZABRISKIE—Resumed.

Mr. ZABRISKIE. That is the situation as it obtains to-day, Mr. Chairman. The crop was offered to us and later withdrawn, and now, fearing that new negotiations may be entered into that would bring about the purchase of the crop at a lower price than appears to them they may be able to secure, they have withdrawn the offer.

What the board would like, if there is to be any action, that we get it promptly, because the shortage of sugar, particularly in the North Atlantic States, could be relieved by the purchase of the sugar that is now available, or being offered to us from Peru and Venezuela and other countries in small amounts of a thousand to five thousand tons, but the prices at which those sugars are being offered range from 7 to 8 cents per pound for raws. If we are to negotiate for the Cuban crop, it could not be very well arranged after we have purchased, even to relieve an acute condition—we could not negotiate with Cuba on a 6½ or a 6¾ basis if it was shown that we were paying 7 and 7½ cents.

We do feel, too, that we are obligated to provide sugar for the refiners, because we do not permit them to buy sugar except through the Equalization Board. They themselves would like the opportunity of purchasing these small lots from other countries.

Senator RANSDELL. May I ask, what sugar you still have in Cuba?

Mr. ZABRISKIE. There is probably 150,000 to 200,000 tons.

Senator RANSDELL. That is all there is?

Mr. ZABRISKIE. That is all there is left.

Senator RANSDELL. How much do you estimate there is in this country still unrefined?

Mr. ZABRISKIE. There is probably 75,000 tons.

Senator RANSDELL. So normally there will not be enough to go around until the 1st of January?

Mr. ZABRISKIE. No; not from Cuba and Porto Rico. We are trying to bring in 50,000 tons of beet sugar.

Senator RANSDELL. The domestic crop, I assume, will take the place and be coming in about the first of next month?

Mr. ZABRISKIE. We have zoned the country, so that there will be the least delay in the delivery of sugar to the various points. We have asked the refiners not to ship sugar west of Buffalo-Pittsburgh, and we have asked the beet-sugar interests to take care of the requirements west of Buffalo-Pittsburgh, and the Louisiana people, when they are in shape, to look after the southern States.

Senator MCNARY. From where does the beet sugar come?

Mr. ZABRISKIE. The beet sugars first will come from Michigan.

Senator MCNARY. You spoke about trying to buy 300,000 tons of beet sugar.

Mr. ZABRISKIE. No; 50,000.

Senator MCNARY. That is from outside of the United States, or in the United States?

Mr. ZABRISKIE. In the United States; but to bring that east of Buffalo-Pittsburgh.

Senator MCNARY. I thought you proposed to bring it from outside countries.

I wish you would state briefly, Mr. Zabriskie, whether you think it necessary for legislation to contain a licensing provision?

Mr. ZABRISKIE. I feel that we can not render the service that is expected of us in the interests of the American consumer unless we are in a position to control the sale of sugar from the refiner to the wholesale dealer or the retail dealer doing a business of over $100,000 a year.

Senator RANSDELL. Will you not license the retail dealer, too?

Mr. ZABRISKIE. We do not license the retail dealer.

Senator RANSDELL. Unless he does a business of over $100,000?

Mr. ZABRISKIE. Yes.

Senator NORRIS. How do you prevent the retailer from disobeying your rules?

Mr. ZABRISKIE. We notify the wholesaler not to sell a retailer that charges an excess profit to the consumer.

Senator NORRIS. And you fix that profit?

Mr. ZABRISKIE. We fix that profit.

Senator RANSDELL. Dr. Taylor, on the 14th of August the Sugar Equalization Board presented a letter to the President of the United

States accompanied by a memorandum in regard to this subject. You are more or less familiar with it. Attached was a memorandum by Dr. F. W. Taussig. In that Dr. Taussig suggested, among other things [reading]:

I believe that no negotiation should be entered in with the Cuban producers, and that the regulation and restriction of sugar prices should cease with the close of the present arrangements, December 31.

Lower down he says [reading]:

Business of this kind may be undertaken by the Government under stress of war, but should cease now that we are at peace.

Moreover, the regulation of the price of sugar can not, in my judgment, stand alone. The whole relation of Government to industry in time of peace is involved. If the price of sugar is to be specifically controlled, so should that of bread, meat, and of clothing. In the main, we must look for a remedy to the natural development of production and to the return of the entire world to normal financial and economical conditions.

I would like to know, now, if you have any suggestions in regard to that general statement of principles made by Prof. Taussig in the memorandum sent to the President; and if so, what are your ideas on it very briefly?

Dr. TAYLOR. Senator, what you ask demands rather a prophet than a scientist. We have the two general problems: On the one hand are 105,000,000 people who are convinced that prices as a whole must come down, and upon whom a very bad general psychological reaction would be produced if one of the staple commodities suddenly were raised in price from 11 to 15 cents as a result of the failure of governmental action. On the other hand is the desirability of getting back to the normal processes of business and enterprise. In some year the American public has got to fight out the question of high consumption versus high prices. Whether at this time, in the present condition of the psychology of the American people, is the time to fight out the question over the increased price of sugar is something, of course, that no one can say. But, in view of the statement of Judge Glasgow, the tendency is always to get out of this thing as fast as one can. We would not hesitate for a moment if it were not for the fact that the result would be to place a rise of one staple in direct contravention to the apparent efforts of Congress and the administration to operate in the opposite direction with all other commodities.

But eventually the contest by the buying public between high cost and high rate of consumption will have to be made.

Senator MCNARY. We will now hear Mr. Dickinson.

Senator GAY. Mr. Chairman, with the permission of the committee. I would like to have these telegrams inserted in the record.

Senator MCNARY. That may be done.

(The telegrams submitted by Senator Gay are here printed in full, as follows:)

NEW ORLEANS, LA., *October 16, 1919.*

Hon. E. J. GAY,
United States Senate:

Ask administration please treat sugar like other industries; personally that is all I ask for.

L. M. SONIAT.

NEW ORLEANS, LA., *October 17, 1919.*

Hon. EDWARD GAY,
Washington, D. C.:

The associated banks met here to-day and protested against the passage of legislation placing distribution of sugar in the hands of any Government agency as is now proposed. We urge you to oppose such legislation.

CITIZENS BANK & TRUST CO. OF LOUISIANA.

NEW ORLEANS, LA., *October 17, 1919.*

Senator EDWARD J. GAY,
Washington, D. C.:

Herewith is a transcript of resolutions passed at a special meeting of this association held this afternoon:

Whereas it has come to our attention that a bill has been introduced in Congress placing the distribution of sugar in the hands of the sugar equalization board, and whereas it is our belief that the law of supply and demand should apply to sugar as it does to every other commodity at this time: Now therefore be it

Resolved by the associated banks of the city of New Orleans, That in our opinion such legislation is unwise, unnecessary, and unjust: And be it further

Resolved, That the president of this association wire copy of these resolutions to our Senators and Representatives at once.

R. M. WALMSLEY,
President New Orleans Clearing House Association.

OCTOBER 18, 1919.

NAPOLEONVILLE, LA., *October 17, 1919.*

Senator EDWARD J. GAY,
United States Senate, Washington, D. C.:

Please use your best efforts to prevent any fixing of price on sugar crop about 40 per cent, which necessitates good price to avoid disaster.

STEPHEN C. MUNSON.

Representative MARTIN. I have two telegrams, Mr. Chairman, which I would also like to have go into the record.

Senator MCNARY. Without objection, they may be inserted.

(The telegrams submitted by Representative Martin are here printed in full, as follows:)

NEW ORLEANS, LA., *October 17, 1919.*

Hon. JOSEPH E. RANSDELL, Hon. EDWARD J. GAY, Hon. W. P. MARTIN,
Washington, D. C.:

The associated banks met here to-day and protested against the passage of legislation placing distribution of sugar in the hands of any Government agency as is now proposed. We urge you to oppose such legislation.

CITIZENS' BANK & TRUST CO. OF LOUISIANA.

NEW ORLEANS, LA., *October 17, 1919.*

Hon. JOSEPH E. RANSDELL, Hon. EDWARD J. GAY, Hon. W. P. MARTIN,
Washington, D. C.:

Herewith is a transcript of resolutions passed at a special meeting of this association held this afternoon:

Whereas it has come to our attention that a bill has been introduced in Congress placing the distribution of sugar in the hands of the Sugar Equalization Board; and

Whereas it is our belief that the law of supply and demand should apply to sugar as it does to every other commodity at this time: Now therefore be it

Resolved by the Associated Banks of the City of New Orleans that, in our opinion, such legislation is unwise, unnecessary, and unjust. And be it further

Resolved, That the president of this association wire copy of these resolutions to our Senators and Representatives at once.

R. M. WALMSLEY,
President New Orleans Clearing House Association.

OCTOBER 18, 1919.

Senator MCNARY. The committee will now adjourn until 10.30 o'clock Monday.

(Thereupon, at 1.20 o'clock p. m., the committee adjourned to meet Monday, October 20, 1919, at 10.30 o'clock a. m.)

SUGAR SHORTAGE.

MONDAY, OCTOBER 20, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to adjournment at 10.30 o'clock a. m., in room 326, Senate Office Building, Senator Charles L. McNary, presiding.

Present: Senators Gronna (chairman), Norris, Kenyon, Capper, Keyes, Ransdell, Kendrick, and Harrison.

Also present: Senator Gay and Representative Martin, of Louisiana, and Mr. John H. Wilkins.

Senator MCNARY. I would like to say to the committee that on Saturday at the hour of adjournment Mr. Dickinson was testifying. He represented the cane-sugar industry of Louisiana. This morning Senators Ransdell and Gay, of Louisiana, stated that the cane growers and producers of that State desired very much to promote legislation that would bring about a correction of the sugar-shortage situation, and that they desired again to have a conference with the sugar equalization board to see if they could agree upon a fair price. Acting upon that suggestion, which I thought was a patriotic one, I have telegraphed to Mr. Zabriskie, president of the sugar equalization board, and Mr. Glasgow, their attorney, asking that they meet with these folks here to-morrow; and if they can come to some agreement it will allay very much the opposition to any tendency to higher raw sugar. So that part of the hearing will be postponed until to-morrow at 10.30, at which time Mr. Spreckels wants to be heard. The committee will please bear that in mind.

Mr. MARTIN. Mr. Chairman, may I ask to have printed in the hearings of to-day a telegram received by me from the Hon. John M. Parker, who was food administrator of the State of Louisiana, protesting against the control of sugar and other agricultural products?

Senator MCNARY. Without objection, please hand the telegram to the stenographer for insertion in the record.

(The telegram referred to by Representative Martin is here printed in full, as follows:)

NEW ORLEANS, *October 18, 1919.*

Hon. WHIT. P. MARTIN,
House of Representatives, Washington, D. C.:

We must not forget that the agriculturist who produces those things necessary to feed and clothe the world is to-day the most vitally important factor in preventing actual suffering and unrest. Manufacturers, dealers, and jobbers are reaping handsome profits. In every section able-bodied men are being

drawn from the fields to the already over-congested cities. Young men and women see no incentive to remain on the farm. While the world constantly needs more, the supply of our agricultural products is constantly decreasing. Instead of legislation dictating to actual producers what they can obtain for their products every effort should be made to increase production and not stifle it. The welfare and prosperity of producers to-day is the paramount question before the American people in order to prevent dissatisfaction, actual suffering, and Bolshevism. I earnestly hope that you will use all your efforts to prevent arbitrary control by men who are not familiar with these problems, and inaugurate a vigorous campaign by which agricultural producers in every line will be permitted unhampered to realize value for their products, and once more make farming and country life attractive.

Louisiana sugar producers have been most loyal and self-sacrificing. They are confronted with the shortest and most expensive crop in their experience. They are entitled to sell their product at its market value or else face ruin. My experience as Federal food administrator satisfies me that many well-meaning men strive to pass iron-clad legislation in regard to important matters on which they are practically ignorant but overcrowded theoretically. To-day the prosperity and increased production of agriculture is the problem not only to the Nation but to the world, and that fact should at once be realized by thinking and patriotic Americans.

JOHN M. PARKER,

Senator MCNARY. The committee will now hear Mr. Wilkins.

STATEMENT OF MR. JOHN H. WILKINS, PRESIDENT OF THE JOHN H. WILKINS CO., WHOLESALE GROCERS, WASHINGTON, D. C.

Senator MCNARY. Mr. Wilkins, you may proceed in your own way.

Mr. WILKINS. It would appear to me that if there is only 100,000 tons of sugar in Louisiana which would stand in the way, that it would be a very good scheme to have the Sugar Equalization Board, if possible, make some arrangements, which will probably be done to-morrow, because it does not seem right that 100,000 tons of sugar should stand in the way of a fair and equal price for the rest of the United States. It occurs to me that if some arrangement should be made whereby the Louisiana growers could receive a larger remuneration it would be very satisfactory to the rest of the country.

I would like to state, Senator, however, that I think something ought to be done at once or not at all, because it is getting late.

Senator MCNARY. Please state your reasons.

Mr. WILKINS. The situation is that at the present time the entire United States is upset. Of course, I am only speaking of Washington, in a way. Our firm sells about 1,500 barrels a week under ordinary conditions here in Washington. At the present time there is a feeling that sugar is going to be very much higher after the first of the year, and consequently everybody is trying to buy, and we can not get enough to supply the demand. We are not getting much, anyway, but even if we were receiving 1,500 barrels a week it would be but a drop in the bucket. Everybody wants to buy sugar.

Senator MCNARY. Will you state what is the normal inflow of sugar into Washington?

Mr. WILKINS. About 3,600 barrels a week, Senator.

Senator MCNARY. And what has Washington been receiving the last month?

Mr. WILKINS. The city, I should say, has been receiving not more than 800 barrels per week, on an average.

Senator MCNARY. Has that been reflected in the higher price?

Mr. WILKINS. In the city, Senator?

Senator MCNARY. The retail price?

Mr. WILKINS. No, sir; I think there has been comparatively little profiteering in Washington.

Senator MCNARY. Is there any limitation upon the amount that anyone in business can buy?

Mr. WILKINS. That is entirely up to the individual grocer. He could either sell 1 or 2 pounds or more, whatever he felt like selling; but, of course, they are holding their sales down because they have not the goods.

Senator MCNARY. Then, you infer there is some hoarding in anticipation of higher prices in the winter?

Mr. WILKINS. I think that probably has something to do with it; and the fact that we have prohibition has a great deal to do with it, since people are using candy and soft drinks and ice cream in abnormal quantities.

Senator NORRIS. What would you say to regulation that would prohibit the manufacture of candy, while this shortage was on, of curtailing and limiting that consumption, and also soft drinks?

Mr. WILKINS. I think, Senator, it would be a great hardship to eliminate them entirely.

Senator NORRIS. I know it would; I concede that; but if there is not sugar enough to go around, ought we not to have candy manufacturers quit using it before cutting off the great mass of the people?

Mr. WILKINS. Yes, sir. Under the license system that can be arranged. I am speaking for my own firm only. Personally, I would like to see the entire license system done away with, and just as soon as possible, but I think that unless it is continued for another year that we will have great hardships, because by having a license system you have an absolute tab on every firm in any way handling sugar.

Senator NORRIS. You are a wholesale grocer?

Mr. WILKINS. Yes, sir.

Senator NORRIS. How long have you been in the wholesale grocery business?

Mr. WILKINS. About five years.

Senator NORRIS. This is not directly on the sugar question, but it is directly on the question of the high cost of living, of which the sugar question is only a part. I am moved to ask this question by the statement of a very intelligent and apparently fair-minded man who appeared before the committee several weeks ago from California, representing a very large body of consumers out there, and he gave it as his opinion that one of the reasons why we had such high cost of living was because of the wholesale grocers and the jobbers refusing to sell excepting to a certain class of dealers and refusing to buy from producers who also sold to retailers or consumers. What do you think about that matter?

Mr. WILKINS. I think a certain amount of that has been going on, Senator.

Senator NORRIS. What is the remedy; how can we meet that proposition. Should you, as a wholesaler, be required to sell, for instance, to any persons regardless of their business, providing they complied with your rules and paid the price that you asked?

Mr. WILKINS. I do not see any particular reason why the wholesale grocer should not do that; I do not see any reason why he should refuse to sell.

Senator NORRIS. Would you sell to me as a private individual and consumer if I came to your place of business and bought the same quantity of sugar that you would sell to a retailer?

Mr. WILKINS. We would very much prefer not to, Senator, because then we would be taking the place of the retailer.

Senator NORRIS. I understand that; and the manufacturer would not dare to sell to a retailer because the wholesalers would object?

Mr. WILKINS. That is correct.

Senator NORRIS. The gentleman from California thought a law that would compel them to do it would relieve the situation.

Mr. WILKINS. It would cause a great deal of embarrassment in retail circles.

Senator NORRIS. Yes, probably. What quantity, say, of sugar would you sell to a retailer; what would be the smallest quantity?

Mr. WILKINS. To a retail grocer?

Senator NORRIS. Yes; if I were a retail grocer, how much sugar would I have to buy, providing you had the sugar?

Mr. WILKINS. You would not have to buy any particular amount. At the present time it would particularly depend upon the amount of sugar we had on hand.

Senator NORRIS. I am assuming that you had all the sugar you want.

Mr. WILKINS. You could have all you——

Senator NORRIS (interposing). Could a retailer come and buy 5 pounds?

Mr. WILKINS. No, sir.

Senator NORRIS. How large an amount?

Mr. WILKINS. One hundred pounds would be as small as we would care to dispose of.

Senator NORRIS. Suppose a consumer comes and offers to buy 100 pounds, would you sell to him?

Mr. WILKINS. No, sir; positively not.

Senator NORRIS. That is because it would interfere with the retail business?

Mr. WILKINS. Because the consumer would have no right to buy 100 pounds at the present time.

Senator NORRIS. I am not speaking about the present time, but other times when you had all the sugar you want. Suppose there was no shortage of sugar.

Mr. WILKINS. We would not care about selling a consumer under any consideration.

Senator NORRIS. That is the point I want to get at. In other words, your business is such that you want to sell to a retailer; and the consumer who is willing to buy and pay for the same quantity that a retailer could buy of you, you would not sell to that consumer because the retailer would object?

Mr. WILKINS. Yes, sir.

Senator NORRIS. Taking the great public into consideration, why should not the consumer, if he wanted to buy 100 pounds of sugar, if you had the sugar and you were selling to retailers, not be permitted to buy 100 pounds of you, and thus save the profit that the

retailer would make? Would not that be getting the producers and the consumers a little bit closer together?

Mr. WILKINS. That is being done to an extent by certain firms. Certain mail-order houses carry on a business similar to that. Certain firms have also been guilty of requiring other commodities to be purchased with sugar, say coffee and tea.

Senator NORRIS. I am not speaking of that; I do not care anything about those people. But suppose an organization of a half dozen farmers or an organization of a half dozen clerks here should come into your place?

Mr. WILKINS. We would sell them, Senator, because that would be a cooperative buying club, and we would sell them; that is strictly wholesale. We have been asked to do that by the Postmaster Generals office two or three times and also by Treasury officials.

Senator NORRIS. Do the wholesalers do that generally? Would you do that with anything you handle in the wholesale line?

Mr. WILKINS. Along certain lines we would.

Senator NORRIS. All lines?

Mr. WILKINS. Anything at all, provided they formed a cooperative buying club or society.

Senator NORRIS. In ordinary times 100 pounds of sugar is not very much?

Mr. WILKINS. It does not amount to anything at all.

Senator NORRIS. In fact, if a housewife wanted to can fruits, particularly at this time of the year, and there was no shortage of sugar, 100 pounds of sugar would not be considered an exhorbitant amount?

Mr. WILKINS. No, sir; it would not.

Senator NORRIS. Why should she not be permitted to buy from you and pay the same price the retailer does? What difference does it make to you?

Mr. WILKINS. It would make the difference that we would be helping to bring down the organization of about 2,000 grocers that this city has; in other words, we would be taking away their business.

Senator NORRIS. How many men get profit out of sugar, for instance, from the point of manufacture until the consumer gets it?

Mr. WILKINS. The refinery sells to us direct.

Senator NORRIS. You buy it direct?

Mr. WILKINS. Yes, sir.

Senator NORRIS. Where does the jobber come in?

Mr. WILKINS. We are the jobbers.

Senator NORRIS. Is the wholesaler and jobber the same?

Mr. WILKINS. Yes, sir.

Senator NORRIS. Is that true in all lines?

Mr. WILKINS. I should say so. We might have some merchandise brokers who make a profit on certain lines, but not on sugar. Sugar comes from Cuba to the refiner, and from the refiner to the wholesaler, and from the wholesale dealer to the retailer, and from the retailer to the consumer.

Senator NORRIS. Where do you buy your canned peaches?

Mr. WILKINS. California.

Senator NORRIS. Of whom?

Mr. WILKINS. The Peach Growers' Association; just like we buy our pineapples from the California and Hawaiian corporations.

Senator NORRIS. This California Peach Growers' Association is probably the same association this gentlemen I referred to represented. Suppose you found that the Peach Growers' Association was selling to me, and I was a retailer here in Washington—would you object to that?

Mr. WILKINS. I rather think that should come through regular channels; yes, sir.

Senator NORRIS. If I was the Peach Growers' Association, and I sold peaches to a retail dealer in Washington you probably would not patronize me.

Mr. WILKINS. If your business, Senator, was large enough to justify buying direct, it would be perfectly O. K. If you were doing a business of a quarter of a million dollars a year or over there is not any reason why you should not buy direct as a retail grocer.

Senator NORRIS. If I was a small retail grocer, I ought not to be allowed to buy direct?

Mr. WILKINS. I would not say that, Senator.

Senator NORRIS. Where will you draw the line, and who will draw it?

Mr. WILKINS. I could not answer that.

Senator NORRIS. Let me ask you this question: Suppose I was the producers' association of California, putting up canned peaches, and I had a rule that I would sell in quantities of two dozen pound cans—that that was the minimum limit. Ought I not be required to sell to an individual consumer if he put up the money and offered to take that many?

Mr. WILKINS. It would appear so, Senator. But this matter has come under discussion many times before the National Wholesale Grocers' Association and the Southern Wholesale Grocers' Association, and they could probably enlighten you more than I could on that.

Senator NORRIS. The point I am making is that I would like to get the consumer and the producer as near together as possible. I think everybody concedes that is desirable. As I understand it, the producers' association sells to the wholesalers, the wholesalers sell to the retailers, and the retailers sell to the consumers?

Mr. WILKINS. Yes, sir.

Senator NORRIS. But if a producing association undertook to go over the head of the wholesaler and sell direct to the retailer, he would find the wholesalers boycotting him; if he went still further and went over the heads of the retailers to the consumers, he would find the retailers boycotting him, would he not?

Mr. WILKINS. He would be very apt to, Senator. That has been considered a number of times by certain large interests with a view to eliminating the jobber entirely. They find it does not pay, because somebody has to redistribute.

Senator NORRIS. I am not advocating that he be eliminated. But I am suggesting—I do not know whether it would be right or not—I am trying to get information from men who know. According to my idea every man should be a rule unto himself. If you are in the wholesale business, you can say you will not sell less than a carload of sugar to a retailer. That is your business. But if I come along

and want to buy a carload of sugar, whether I am a retailer or not, ought you not to be required by law to sell it to me? In other words, the producer on the one hand, the wholesaler in the next step, the retailer in the next, while each one could make his own rule as to the quantity he would sell, when anybody, any purchaser who complied with those rules he would be required to sell and not discriminate against him because of his business. Would not that have a tendency to reduce the cost of living?

Mr. WILKINS. It might, Senator. I can say in this connection that the various chain-store grocery establishments throughout the country, of which we have a great many, are buying direct, of course. Take the Atlantic & Pacific Tea Co., they probably have 5,000 stores. Naturally they are both jobber and retailer.

Senator NORRIS. And they go to the producer?

Mr. WILKINS. Yes, sir; straight to the producer.

Senator NORRIS. Why should not I, running a little grocery store, have the same privilege? Why should the amount of money a man has limit him; that is, providing he complied with the rule of the man who has the stuff to sell?

Mr. WILKINS. I am of the opinion that that would not lower the cost of living very much, because it would be quite a little expense to go to the small grocer—that is, to have a representative call on the small grocer representing the producer in California.

Senator NORRIS. The representative would not have to call. I am not asking them to do anything.

Mr. WILKINS. How would the trading be done, Senator?

Senator NORRIS. Suppose I sent a draft and said, "Send me a hundred cases of canned peaches"?

Mr. WILKINS. The majority of small grocers have not the money.

Senator NORRIS. All right; they could not do that. I am assuming they have got it. Why should not the other fellow be compelled to sell under that condition?

Mr. WILKINS. I do not think there is any law whereby they could absolutely be restrained from selling.

Senator NORRIS. This gentleman who represented the Producers' Association of California complained very bitterly and gave us an illustration of an instance where he was ordered by his board of directors, against the judgment—he knew he said he would get into trouble—to sell a lot of peaches to retailers, and he sent out a lot of circulars and got some orders, and he immediately received notice from a wholesaler where he had sold to a retailer—in the district of the wholesaler—that the wholesaler would not buy of him any more, and he canceled some orders he had already given him. He had complied with the rule of the trade. He was anxious that a law would be passed that would compel him, so he would not be boycotted in case he did it; and I have been wondering ever since he testified why that would not work.

Mr. WILKINS. It might, Senator. If you would like, I would be glad to address the president of the National Wholesale Grocers on that subject for you.

Senator NORRIS. I would be very glad to hear from you. It does seem to me that if a retailer, a wholesaler, or jobber or producer would be allowed to make any rule they wanted as to quantity, as to pay-

ments, etc., he could require cash, of course; but when any person complied with that rule that he would not be allowed to discriminate against him without violating the law. I do not see, for instance, any reason if you had a rule that you would sell as a wholesaler 100 pounds of sugar to a retail grocer—assuming you have the sugar—I know it does not apply now—that if I come as a consumer and put down the money, and said, "I want 100 pounds of sugar; I am ready to take it away," you should not be required to sell it to me the same as to a retailer.

Mr. WILKINS. At the wholesale price?

Senator NORRIS. At the wholesale price, certainly; the same to me as you would to anybody else.

Senator MCNARY. The proposed legislation contemplates the licensing of wholesalers and refiners. Some opposition has been brought to bear on that feature of the legislation. I would like to have you discuss that phase of the matter and give your opinion as to whether you think the license system should be adopted.

Mr. WILKINS. Our firm came under the license system, Senator, when all the others did, in the formation of the Food Administration. We did not have any trouble at all during the war, absolutely no trouble. However, I think the sooner we allow the law of supply and demand to come into effect the better. But I do not think the country is ready for it. I think that during the year 1920 if we have an absolutely wide-open market the prices of sugar, for instance, may go to any price.

Senator NORRIS. Can you give us an idea as to where you think it would go?

Mr. WILKINS. I think it would go to 20 or 30 cents, Senator; but I think by the end of 1920 the country will have gotten into such shape, and that the countries of Europe will be producing enough, to take care of themselves.

Senator RANSDELL. What other commodities ought to be licensed?

Mr. WILKINS. At the present time we are under license on flour and sugar only.

Senator RANSDELL. That runs out on the 1st of July, does it not?

Mr. WILKINS. I think it does, Senator. The license on oils and compound lard and lard products went out of effect a short while ago.

Senator RANSDELL. I am asking if you think a license ought to be applied to other commodities than sugar?

Mr. WILKINS. I can not think of any right now, Senator.

Senator KENDRICK. Does the license system work any great inconvenience or hardship upon dealers?

Mr. WILKINS. I can not see that it does, Senator.

Senator MCNARY. Right on that point will you state how it operated? What was required of you under the license system?

Mr. WILKINS. For instance, our license number during the war and now is G O O 800. We can not buy from any refinery unless they know our license number; we can not sell to any retail dealer unless our license number is on our bill and our letter head, in fact, on all of our stationery. We are registered in the Food Administration under G O O 800. If we overcharge anybody it is very easily traced down. There is no question in the world about that. It is

some little trouble, possibly, but it has not caused any particular hardship.

Senator KENDRICK. Nor any great inconvenience?

Mr. WILKINS. No, sir; I do not think so.

Senator MCNARY. What other restrictions are imposed upon you except keeping a record of whether an overcharge is made or not?

Mr. WILKINS. None, Senator.

Senator MCNARY. You are licensed only to stabilize and make equitable the price that you sell the retailer?

Mr. WILKINS. Yes, sir.

Senator NORRIS. You do not have to pay any attention to the retailer?

Mr. WILKINS. If we found one of our customers, who happened to be a retail grocer, was overcharging, beyond what would be termed a fair price, we would stop selling him.

Senator NORRIS. How would you find that out?

Mr. WILKINS. I am a member of the fair price committee of the city of Washington, under the local food administration. I would hear of it in that way.

Senator NORRIS. Suppose you were not a member of that committeee?

Mr. WILKINS. We would hear through the Food Administration of Washington, Mr. Clarence Wilson.

Senator NORRIS. If such a case occurred the office of the Food Administrator would advise you of where it did occur.

Mr. WILKINS. Yes, sir.

Senator NORRIS. And you would not sell that retailer any more?

Mr. WILKINS. Absolutely not. That occurred a number of times during the war.

Senator KENDRICK. As an incidental feature of the license system, has there been any apparent disposition on the part of the Government officials to meddle with you or your business arrangements in any way?

Mr. WILKINS. Absolutely not; none at all. In the line of restraint of trade?

Senator KENDRICK. Yes.

Mr. WILKINS. Absolutely not; no, sir. I think it is really meant to be helpful more than anything else.

I think, Senator, that by the end of 1920 this whole system can be absolutely abolished. I do not think we want it, and I think now the second bill as introduced by Senator McNary would not be valuable unless we had a license feature incorporated in it. I think we ought to have that or no bill at all, Senator.

Senator MCNARY. Right on that point, do you think there should be permission given to the sugar equalization board to place an embargo on sugar?

Mr. WILKINS. I think that the sugar equalization board should have power to place embargoes if, in their knowledge of affairs, they see fit. For instance, you can pick up the New York Journal of Commerce and see where chocolate is offered for export; that is, quantities of sweet chocolate. If the sugar equalization board had power of embargo, a certain portion of that could be stopped.

Senator NORRIS. Would that be true of anything having sugar in it?

Mr. WILKINS. Yes, sir; I think that feature would be very valuable to have incorporated in the bill, the power of embargo.

Senator NORRIS. If they have the power, it ought to be exercised as long as this shortage continues, ought it not?

Mr. WILKINS. I think so. For instance, Senator, if I owned a thousand barrels of sugar in New York, and I had it in a warehouse and I could sell that to France or Switzerland—it would probably find its ways into Germany—I could get a very, very large price for it. There would not be any limit to what I could get because it was going out on export.

Senator NORRIS. Of course, that would increase the shortage here?

Mr. WILKINS. Absolutely.

Senator MCNARY. What would you suggest as a remedy for the present sugar shortage?

Mr. WILKINS. Senator, I think the situation will be relieved somewhat after the refiners' committee becomes operative. I think that will be cause for some improvement.

Senator MCNARY. After what?

Mr. WILKINS. After the work of the refiners' committee appointed by Mr. Zabriskie becomes effective. He has appointed five men, one man from each of the prominent refineries. I could give their names later. They are going to divide the country into zones, or, rather they are going to look after the sugar distribution east of Pittsburgh, and that will help materially. That will prevent duplication of orders. For instance, if our firm had bought a thousand barrels from the American Sugar Refining Co., a thousand barrels from the Federal Sugar Refining Co., from Warner, from Arbuckle, and going right down the line. That will be eliminated.

Senator NORRIS. It would prevent, for instance, you from buying sugar in the territory that you were not allowed to operate in?

Mr. WILKINS. That is correct, Senator; and also it would prevent me buying from the refiners and having large quantities of sugar go to one firm, which would seem to be wrong.

Senator NORRIS. On that point I wish you would tell us, if you can, something about the amount of sugar that is put up in fancy form, like Domino sugar, etc.; is there any great quantity of that?

Mr. WILKINS. I heard that testimony Saturday, Senator. I went back to the office—I was not asked to—but I went through our records—we do not handle Domino—but we handle a sugar done up in Domino form which is practically the same thing—and we found not more than 2 per cent of our entire distribution in Washington represents that class of sugar; and, furthermore, we sell of this 2 per cent probably 80 per cent to hotels, cafés, and restaurants, because the hotels find it cheaper to hand out two lumps of sugar with a cup of coffee rather than having an open sugar bowl.

Senator NORRIS. They can handle the open sugar bowl just the same as they could handle it in domino form, letting the waiter put the sugar in the coffee.

Mr. WILLIAMS. Or by using the envelope system, like we did during the war?

Senator NORRIS. Yes, sir. If they put the sugar bowl on the table and filled it with domino sugar and a man wanted to put a half dozen dominos in his cup it would be the same as putting in a half-

dozen teaspoonsful. I do not see that that makes any difference. They could cut it down just as easy as another.

Senator RANSDELL. What profit do the wholesalers charge for sugar now?

Mr. WILKINS. Our profit, Senator, for handling 100 pounds of sugar now is about 74 cents, because we have the necessity of taking the place of the retail merchant, inasmuch as we have been compelled to parcel out our limited quantities in small amounts, which has entailed additional expense such as selling in 25 and 50 pound quantities.

Senator RANSDELL. I thought it was 35 cents?

Mr. WILKINS. They allow an extra charge for expenses of handling sugar of 15 cents a hundred. W have had to advance somewhat, due to the increased cost of doing business.

Senator RANSDELL. So you are really not charging the profit now which the sugar equalization board agreed you should charge; you are charging more?

Mr. WILKINS. That is simply because, Senator, we are not getting in any sugar. If we were getting in any considerable amount of sugar our price would automatically drop. For instance, if we were getting in a car a day——

Senator RANSDELL. Who regulates that price; is that done by you or the sugar equalization board?

Mr. WILKINS. That is regulated by the sugar equalization board and the Department of Justice.

Senator RANSDELL. And they have authorized you to raise your profit to 70 cents 100 pounds?

Mr. WILKINS. I took the matter up with the Department of Justice here in Washington.

Senator RANSDELL. So it is not a matter regulated by the sugar equalization board?

Mr. WILKINS. That power I should think should be granted the sugar equalization board, and they will work in connection with the Department of Justice.

Senator RANSDELL. As a matter of fact you are at the present time acting in conjunction with the sugar equalization board?

Mr. WILKINS. Yes, sir; and Department of Justice.

Senator RANSDELL. They did not authorize you to put this profit up to 70 cents, as you have just stated?

Mr. WILKINS. For instance, I will show you how we do: If we sell a large baker, one who buys 50 barrels, we have to deliver that to the baker at a wholesale price that is considerably lower, otherwise the baker has to put his product up. If the baker's price is constantly rising the next thing we have is bread going up. But if we would get in a car a day, which we actually need, our price would probably go down to about $9.60 or $9.75. We had to advance a trifle with the permission of the Department of Justice in order to take care of our overhead. That will automatically drop immediately our supplies increase. Our general average of all sales would figure about $9.75 per hundred.

Senator NORRIS. In other words, if you sell large quantities you can continue to do it on a smaller margin?

Mr. WILKINS. That would appear reasonable.

Senator NORRIS. Did you make 70 cents on a hundred pounds of sugar?

Mr. WILKINS. We have made as high as 74.

Senator NORRIS. How much does the retailer make on 100 pounds?

Mr. WILKINS. The retailer sells that sugar for 11½ cents, Senator.

Senator NORRIS. That makes how much a hundred?

Mr. WILKINS. It makes $1.50, or a cent and a half a pound, which is certainly within the bounds of what is right, now.

Senator KENDRICK. Your percentage of profit is based upon the volume of business?

Mr. WILKINS. Ordinarily, Senator, we would work under a certain set price. For instance, during the war we knew exactly what we were going to make, and we were able to proceed accordingly. We were getting in during the war about a car a day. At that time we were making about 50 cents a hundred. We are now getting in about a car a week. If we were working still on the same basis, we would be losing a considerable amount of money.

Senator KENDRICK. And you fixed charges have almost doubled?

Mr. WILKINS. Yes, sir; they have, Senator. I took the matter up with the Department of Justice before I made any change.

I might state here that we could sell the small quantities of sugar we are receiving at almost any price. We have had offers as high as 22 cents per pound.

Senator KENDRICK. That is about what will happen in case this authority on the part of the Government is not continued.

Mr. WILKINS. I think so. Of course, with the passage of the Lever bill I believe the Department of Justice has the right to prohibit certain kinds of profiteering, but exactly what "profiteering" is we do not know.

Senator KENDRICK. Then it was stated here Saturday, I believe, by Judge Glasgow, that might develop a sort of black-listing scheme rather than a preventive plan like this?

Mr. WILKINS. It might, Senator.

Senator MCNARY. Have you anything further?

Mr. WILKINS. I would like to read this.

Senator MCNARY. Can you not put it in the record?

Mr. WILKINS. Yes, sir.

Senator MCNARY. What is it?

Mr. WILKINS. It is an article on sugar control by Rionda.

Senator MCNARY. Is it a brief article?

Mr. WILKINS. It is.

Senator NORRIS. Let him read it.

Mr. WILKINS (reading):

The consensus of opinion in the sugar world seems to be that the introduction and passage of this bill is advisable in view of the existing shortage of sugar, the increased consumption demands, the unsettled market conditions that will necessarily follow, and the resultant increased cost of sugar to the people which invariably follows such a state of affairs. It is a measure which will preserve the many advantages of Government control that have obtained to date. It is imperative, however, if real benefits are to follow that no time be lost and that the measure should either be promptly passed or rejected.

One of the first acts of the board under this measure will doubtless be the purchase of the Cuban sugar crop for the coming campaign. Whether this would be for the entire crop or for the unsold balance, of course, does not now appear. However, if the complex problems, created and arising from the

fact that there was a general belief for some time that Government control would not be continued, are to be avoided or minimized, the board must be put in a position to begin within a short time negotiations for the purchase of Cuban sugars. Every week of delay will but add to the difficulties of the board in this connection in view of the foreign demand for Cuban sugars, which shows no sign of abatement.

Senator McNARY. Judge Ballou, of Honolulu, Hawaiian Islands, is here, and I understand he would like to make a short statement.

STATEMENT OF MR. SIDNEY BALLOU, HONOLULU, HAWAIIAN ISLANDS.

Senator McNARY. Mr. Ballou, the statement was made by Senator Smoot a few days ago on the floor of the Senate that the Japanese Government had acquired the Hawaiian cane sugar crop for 1920. I knew that you would be cognizant of the precise fact and be able to tell this committee if they had purchased all or a considerable portion of it.

Mr. BALLOU. Senator Smoot made the statement that he had been so informed by a prominent sugar man. There is nothing whatever in it; the fact is otherwise. There was a misunderstanding apparently as between the Hawaiian and the Philippine crop. No part of the Hawaiian crop has been purchased by the Japanese.

Senator McNARY. Has it been contracted for by any nations or individuals?

Mr. BALLOU. It has been contracted for, the entire crop. It has been sold to two American refineries in California.

Senator McNARY. Can you name them?

Mr. BALLOU. The California & Hawaiian Sugar Refining Co. and the Western Sugar Refining Co.

Senator McNARY. What is the estimated crop yield this year?

Mr. BALLOU. For the crop which is just closing?

Senator McNARY. 1920.

Mr. BALLOU. Next year?

Senator McNARY. Yes.

Mr. BALLOU. While there is considerable growing weather ahead of us, we hope to have about 640,000 short tons; that would be in the neighborhood of 570,000 long tons.

Senator McNARY. You estimate in 2,000-pound short tons?

Mr. BALLOU. Yes, sir.

Senator RANSDELL. Sugar is usually rated in the long ton, is it not?

Mr. BALLOU. There is considerable difference in that. All domestic beet, all Hawaiian, and I think Louisianians use the short tons; Government statistics are in short tons; the refiners and Willett & Gray, who have been for years a statistical authority, use the long ton. It is the cause of a great deal of confusion in the business.

Senator McNARY. Mr. Ballou, the crop that has been purchased by the two California firms is the 1919 crop?

Mr. BALLOU. It is referred to in Hawaii as the 1920 crop, because it begins to come on the market in January of the calendar year, and is practically distributed from January to August and September of that year; while we begin to grind in December of this year, it does not get on the market until January. We therefore refer to that as the 1920 crop.

Senator RANSDELL. The cane is produced in the calendar year and you call it 1920 crop because it comes on the market in that year?

Mr. BALLOU. It comes on the market in that year.

Senator MCNARY. So that the crop you refer to is the same crop that has been contracted for by the two California firms?

Mr. BALLOU. That is what I mean. Our present crop has nearly ben exhausted. This is October; we have shipped almost all of our present-year crop. Our mills will begin to grind again in December; that will come onto the market in January next. All of that goes to California to be refined.

Senator MCNARY. It all goes to these people in California?

Mr. BALLOU. Yes, sir.

Senator MCNARY. What is your estimate of this year's crop?

Mr. BALLOU. This year's crop was 605,000 short tons.

Senator MCNARY. I was going to ask at what price that crop was purchased by these California firms?

Mr. BALLOU. It has been sold to the refiners at the market price ruling in New York on the date of delivery, less a quarter cent a pound. Therefore it is not a fixed price. We have sold it on that basis for a great many years. For 30 or 40 years we have sold our sugar crop to the refiners, heretofore both on the Pacific and the Atlantic coast under just that form of contract; that is to say, they would take our sugar as fast as we sent it; they must take delivery, and they pay therefor at the market price in New York, less a certain flat reduction. We conform to the market price, which is practically established by the Cuban sugar from time to time, less a flat deduction.

Senator RANSDELL. There is no deduction for freight between New York and San Francisco?

Mr. BALLOU. No.

Senator MCNARY. Then if the crop is stabilized in this country by the Cuban crop the growers of the cane sugar will not receive probably as high a price as though it is an unrestricted price?

Mr. BALLOU. They will not.

Senator NORRIS. This sugar is delivered to San Francisco, is it not?

Mr. BALLOU. It will be next year. This present year we have delivered part of the crop in San Francisco, part of the crop in Philadelphia, and part in New York.

Senator NORRIS. I am referring particularly now to that deduction of a quarter of a cent a pound. That applies to the sugar that you are going to deliver in San Francisco?

Mr. BALLOU. Yes, sir.

Senator NORRIS. So there is no freight from San Francisco to New York involved in the question at all?

Mr. BALLOU. No, sir; there is never any freight from San Francisco to New York involved in the price of any of our sugar; we deliver it from Honolulu to New York direct, or to San Francisco.

Senator RANSDELL. Is that sugar consumed on the western coast principally, Judge?

Mr. BALLOU. That sugar is consumed principally on the west coast and through the western territory as far east as Chicago. In order to warrant the refining of all our sugar, as we intend next year, on the Pacific coast, the refiners must have a favorable freight rate as

far east as Chicago and be open to the Chicago market, otherwise they could not do it.

Senator McNARY. Are there any further questions desired to be asked Judge Ballou?

Senator RANSDELL. I would like to ask him if he knows about the Philippine crop?

Mr. BALLOU. The Philippine crop, my information is, will go to the Far East; that is, part to China and part to Japan.

Senator RANSDELL. That has been all sold, has it?

Mr. BALLOU. I do not know; I do not think it has all been contracted for.

Senator RANSDELL. Does it usually go there?

Mr. BALLOU. There has usually a consilerable part of it gone there. The freight from the Philippines to the United States is pretty high, and since the war times there has been difficulty of transportation, and that has naturally tended to divert the Philippine sugar.

Senator RANSDELL. Dr. Alonzo Taylor told us there would be about 175,000 tons this year. Is that your information about this crop?

Mr. BALLOU. Yes, sir.

Senator RANSDELL. You do not think we can count on getting any material portion of that in the United States?

Mr. BALLOU. I think not.

Senator RANSDELL. On account of the freight rate?

Mr. BALLOU. Yes, sir.

Senator McNARY. The committee will now stand adjourned until 10.30 o'clock to-morrow.

(Thereupon, at 11.40 o'clock a. m., the committee adjourned to meet to-morrow, Tuesday, October 21, 1919, at 10.30 o'clock a. m.)

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SUGAR SHORTAGE.

TUESDAY, OCTOBER 21, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington.

The committee met pursuant to call at 10.30 o'clock a. m., Senator Charles L. McNary, presiding. Present: Senators Gronna (chairman), Norris, Kenyon, France, Keyes, Kendrick, and Ransdell. Also present: Senator Gay of Louisiana and Representative Sanders of Louisiana.

Senator MCNARY. The committee will first hear this morning Mr. Spitzfaden. Give your name to the stenographer and your address, and whom you represent.

STATEMENT OF MR. PHILLIP F. SPITZFADEN, ASSISTANT SECRETARY LOUISIANA SUGAR AND RICE EXCHANGE, NEW ORLEANS, LA.

Mr. SPITZFADEN. My name is Philip F. Spitzfaden, and I am assistant secretary of the Louisiana Sugar and Rice Exchange of New Orleans.

The Louisiana Sugar and Rice Exchange is an institution that was organized about the year 1883 for the purpose of handling a large portion of the Louisiana sugar crop, which in those days, when there was practically no rail transportation to speak of, out of New Orleans, came down the Mississippi River and was practically all distributed through New Orleans. Its membership comprises representatives of the various producing interests of Louisiana, the sugar brokers, dealers, and factors, public warehousemen, coopers, transportation men, and all of those whose interests are identified with the marketing of the sugar crop.

The Louisiana Sugar and Rice Exchange, Mr. Chairman, desires to enter its protest against any form of licensing. We take the position that we are not alone in that opposition. The testimony given before your committee at the hearing a few weeks ago contains a letter or memorandum from Dr. Taussig, in which he takes the very broad position that the whole relation of the Government to industry in time of peace is involved. That sentiment is, I gather, representing the eastern section of the country; and we from the South also find crystallization in an editorial in this morning's Washington Post, which I would like, with your permission Mr. Chairman, to insert in the record, if you have no objection.

Senator MCNARY. We have no objection.

Mr. SPITZFADEN. It is commenting on the position taken by Mr Barnes of the Grain Corporation.

(The article referred to is here copied in the record in full as follows:)

AGAINST PRICE FIXING.

Speaking before the Duluth Commercial Club, Julius H. Barnes, Director of the United States Grain Corporation, declared that while he appeared in the capacity of Grain Director of the United States, he had no sympathy with the office. He further remarked that "the guaranty on wheat was fixed by law without consultation with either Herbert Hoover or myself." His opinion of the whole proceeding of guaranteeing the price of wheat to the producer was summed up in the statement that "price fixing by law has always failed and always will fail."

These utterances from the head of the Grain Croporation, the governmental agency which has transacted billions of dollars' worth of business for the Government are very significant. They show that he, after a practical experience of fixing prices, is convinced that it is a failure and the laws of economics and not of politics should govern in the solution of all trade problems.

Nothing is to be gained from a discussion of the grain situation in the United States except to enable the public to arrive at certain definite conclusions regarding policies just as Mr. Barnes has done. These conclusions may well serve as a guide in the future. The past is behind us, with its accomplishments and its mistakes. Few thoughtful persons would now criticize the action of Congress and the President in guaranteeing the price of the 1918 wheat crop. With the war at its height and with the allies clamoring for food it was incumbent upon America to produce every bushel of grain possible, and the only way to reach a maximum production was to guarantee a price which would yield a good profit to the farmer.

While there is not the same unanimity as to the wisdom of extending the guaranty to the 1919 crop, the fact remains that when this was done the war was not at an end and the allied commanders rather expected hostilities to extend over the winter into the current year. At any rate, the guaranty was extended as a war measure, and the American farmer has profited thereby, long after the last gun had been fired and after all other war contracts made by the Government had been canceled.

It is probable that if the same emergency should arise the same means would be adopted by the United States to stimulate a maximum production of wheat. But that does not prevent the public from learning a lesson in economics from the experiences of the war. Price fixing, as Mr. Barnes so emphatically states, has always been a failure, and always will be, because it is in direct contradiction of economic laws. The Government should relinquish all control and influence in trade as quickly as practicable consistent with the public interest.

The opinion of Mr. Barnes is commended to those who, alarmed at the high trend of prices, have urged that the Government undertake to place a limitation upon the prices of the necessaries of life. That would be a mistake; it is not the function of the Government to do it. The Government can clear the channels of trade and keep them open to all upon equal terms, and if it does this it will fulfill its duty to the public.

Prior to my connection with the Sugar Exchange, which dates back only to January of this year, I was for a number of years the commercial reporter of the New Orleans Item, and as such I am very familiar with the business of cotton futures, with the trading in rice, trading in coffee, and, in fact, all the great staple commodities. For several years it was my duty each day to write up, as we call it, the cotton future market; and in its very broad sense we can not understand why it is that the restrictions that have been placed on the marketing of last year's rice crop, the restrictions that have been placed by the Food Administration on the handling of coffee, have all been lifted. There have never been any restrictions whatever placed

on cotton, and we are at a loss to understand why it is that the Government as its agencies or instrumentalities should be so determined, as it were, to continue to interefere with the normal processes of business only in sugar.

Personally, Mr. Chairman, I am not rich in the sense of this world's goods, and I have a very intimate knowledge of what the high cost of the various commodities means. You take coffee at 40 or 45 cents a pound and it seems almost impossible to believe that such a thing is possible. I have seen coffee in the future markets sell at 6 or 8 or 9 cents a pound but a very short time ago. The coffee is particularly interesting, because it occupies a position somewhat similar to sugar. Of wheat and cotton we in this country could produce all that we need, while of sugar only a very small portion, and of coffee absolutely none. Why has the Government never made an attempt to purchase the Brazilian crop of coffee?

All these points suggest themselves to our minds when we consider that it must be sugar and sugar alone that is singled out for all these restrictions. As I said before, I was connected with the newspaper last fall when the first receipts of the Louisiana sugar crop reached the New Orleans market, and for the first time in the history of the exchange for nearly 10 days there was no sale of that sugar, at a time when there were plenty of buyers for it and plenty of need for it. But on account of the misunderstandings concerning the licensing features nobody seemed to know just what to do.

I remember very clearly consulting both Mr. John M. Parker, who was then food administrator, and Judge Milling, the chairman of the Louisiana Sugar Committee, which was then the agency of the Food Administration, as well as the head of the firm that received that sugar, and each one in turn referred me from one to the other; finally saying that they were waiting on advices from Washington.

In 1917 the Food Administration bill was passed or, rather, the food control act, under which the President created the Food Administration; and in December of that year there were very lengthy investigations conducted, I believe, under the chairmanship of Senator Reed, of Missouri, concerning the sugar shortage that then existed or was presumed to exist. That resulted in the sugar division of the Food Administration being created, which was subsequently taken over by the Sugar Equalization Board, and throughout 1917 and 1918, for two seasons, this system of licensing has applied.

And again to-day, we find ourselves, as it were, in the very same position that we occupied then. The only logical conclusion to draw from that is that the licensing system is not a remedy for controlling sugar or any other commodity. It is a well-known fact that you can not create something out of nothing. If there is a sugar shortage to-day, no amount of licensing or any other regulation is going to increase the supply.

Senator NORRIS. There is a sugar shortage, is there not? Will not that be conceded by everybody?

Mr. SPITZFADEN. I think that is a part about which some difference of opinion exists.

Senator NORRIS. Do you think there is not a sugar shortage?

Mr. SPITZFADEN. In the immediate localities in some particular sections of the country, I would say, yes; west of the Rocky Mountains to-day I would say, no.

Senator NORRIS. Is there not a shortage in the supply from what we have always used before?

Mr. SPITZFADEN. That depends on what particular point you refer to.

Senator NORRIS. Take the whole country.

Mr. SPITZFADEN. I presume in Washington you would say, yes.

Senator NORRIS. Take the whole country, is it not true that there is not enough sugar to supply the demand? I have not heard anybody dispute that. If that is not true, if we have got sugar more than we can use, then I agree with you that we must not think of passing this bill. If you can prove that to the committee you would defeat all legislation without a doubt.

Mr. SPITZFADEN. I would gather that there is ample sugar for all necessary immediate requirements in what is called the beet sugar territory west of the Mississippi River.

Senator NORRIS. That is assuming that the beet sugar is left in this country. Take the country as a whole. We have got to consider the whole country. Is there enough sugar to go around?

Mr. SPITZFADEN. As a whole, if it were averaged off, the shortage in some sections may not at this particular time be offset.

Senator NORRIS. Will not that be true during the coming year? Do you not absolutely know that there is going to be a sugar shortage during the coming year in the whole world?

Mr. SPITZFADEN. That is a question, Senator, that I do not care to say that I think so, because I believe there is a general impression that Cuba is going to produce a crop well over 4,000,000 tons, and our latest quotations, when I left New Orleans, from the New York market, were that sales of sugar were closed and that deliveries were being made at 7¼ cents f. o. b. Cuba; January, February, March shipments at 7 cents.

Senator NORRIS. Now, to get right down, as they say to bed rock, I have not heard anybody claim there was sugar enough. If you think there is and can demonstrate it to this committee, I hope you will, because I do not want to pass this legislation; I confess that. It is desperate measure with me. And if we have sugar enough to go around, you demonstrate that and the whole thing is off.

Mr. SPITZFADEN. Sugar, Senator, is a commodity that is produced in practically every country in the world.

Senator NORRIS. But you are not answering the question now.

Senator MCNARY. I think the committee is satisfied on the fact that there is a sugar shortage the world over.

Senator NORRIS. This man seems to indicate that there is not. That is the vital point. If there is not, we are fooling away our time. If we have sugar enough, let us quit.

Mr. SPITZFADEN. That question is such a comprehensive one that it is very hard to determine exactly, taking the world as a whole. You listened to Dr. Taylor's testimony here the other day regarding the supply in what was formerly the Austro-Hungarian Empire, what was formerly the German Empire. What those people have to market, how much of it will be able to reach the market, how much the Russian people have to market, how much of that can be made to reach us, all shows that, as I think, no human being can possibly say positively it can or can not be done.

Senator NORRIS. I would like to ask you, too, about the coffee now. You compared this with coffee. Do you think that is a fair comparison? Is there not a difference between sugar and coffee? We could get along without coffee if we had to—a good many people think we would be better off if we did not have any coffee—but you can not say that in respect of sugar?

Mr. SPITZFADEN. I suppose that we could. But I do not know of any foodstuff—of course I am not a scientist like our good friend Dr. Taylor, who says that there is nothing that you could consume that would contain coffee in any other form. While, for instance, sugar in its chemical form, as I understand, is present in so many foodstuffs that it would be hardly possible, even if we did not have the crystallized sugar in the shape of granulated, there are so many other things that we could eat in the way of foodstuffs, fruit and the like, which contain just the same sugar in a different form that we really, so far as our physical bodies are concerned, would not feel any material difference.

If the Senator has finished, Mr. Chairman, I will continue where I left off. In 1917 the Food Administration issued regulations somewhat along the line mentioned to you by the gentleman representing the wholesale grocery business here yesterday, that permitted the people who handle that sugar at New Orleans to place an additional margin of profit over and above the price paid to the producer; while in 1918 the price was fixed and the regulations issued by the Louisiana Sugar Committee, a part of the Food Administration, which made it necessary in the cases where the producers desired to market their sugar that way, to deduct whatever profit they paid for the handling of that sugar through the wholesale channels, out of their fixed price, or making the net return less than the price fixed by the Food Administration.

The people of Louisiana, particularly those handling sugar in New Orleans, were very anxious that all of this sort of regulation—which has caused so much confusion—should be done away with. I believe that Dr. Taylor testified here Saturday that he thought that the pressure that the masses of people in the various continental European countries and in England would bring to bear on their Governments might cause a great deal of competition for the remnant of the unsold portion, I would say, of the Cuban crop. I believe that in England only these regulations still apply, and he indicated very clearly that he thought it possible, not very probable, that the abrogation of these regulations might be brought about by pressure from other people. We do not understand, Senator, why these regulations, with the war practically over except for the formal ratification of the peace treaty, should be continued indefinitely. We do not see why, when in the wisdom of the Food Administration, which also controlled the marketing of the last year's rice crop in Louisiana, has lifted those regulations and the channels of trade are coming to normal; when they have been taken off these other commodities and the head of the Grain Corporation is opposing further regulation of that commodity—wheat and flour—why it is that these restrictions, these licenses, should be continued on sugar and sugar alone.

We believe that there is a great deal of sentiment in this country that is opposed to Congress giving any department of the Government any further powers of this kind. We believe that the people of the country have acquiesced in a great many restrictions and regulations of various kinds that have affected them in various ways during the war, because during the war they felt that it was their duty to accept what the wisdom of the Government demanded them to accept. They feel now that these things should be done away with; that these restrictions, these licenses, these regulations should be removed; that no particular good could come from their continuation; that no possible addition could be made to any available sugar supply or the supply of any other commodity that we need or may need by the continuation of these regulations.

Senator NORRIS. Would you object to this Sugar Equalization Board buying the Cuban crop? Would you not rather we would get that than to have it go to England, Russia, France, Germany, or some other place—Japan?

Mr. SPITZFADEN. We bought, Senator, the last Cuban crop and a good part of that went abroad.

Senator NORRIS. Yes.

Mr. SPITZFADEN. At a time when Dr. Taylor tells us that the consumption in Great Britain was reduced from 80 pounds to 52 pounds as a war minimum, when we in the United States were getting along on 2 pounds per month or 48 pounds per year.

Senator NORRIS. Yes, sir; that is very disagreeable and wrong. But let me ask the question again: Would you object to legislation that would enable the Government through this sugar corporation to buy the sugar crop and get it here in America rather than to see it go to Europe?

Mr. SPITZFADEN. We view that situation this way, Senator: The Cuban crop will, and has for a number of years past, fixed the world's market on sugar; and when you speak of buying the Cuban crop as a whole, taking the Cuban crop off the market at a certain fixed, stipulated price, that action thereby fixes the world's price for sugar.

Senator NORRIS. Let me ask the question again: Would you object, and do you object, to any legislation that would enable the Sugar Equalization Board to buy the Cuban sugar crop at as cheap a price as they can get it?

Mr. SPITZFADEN. I do not think, Senator, that even the Equalization Board to-day would say positively that they could buy the Cuban crop unless what remains unsold of it. As they showed in the testimony before this committee, they have taken this matter up months ago with the President of the United States, at a time when such a question would have been in order. To ask us now in Louisiana, when we are at the beginning of our grinding season, when our crop is about to move on the market, when we probably proceeded on the theory that the apparent apathy of the equalization board indicated that there would be no further contral—we proceeded on that theory and made our arrangements accordingly and in good faith; and now at the last moment we are to be presented with a proposition of this kind, when even the gentlemen who are most interested, Mr. Zabriskie and Judge Glasgow, testified that even though you give them this authority, which they may have

right now, so far as I know, that they are not certain that they could exercise that authority. They are doubtful whether even they could buy what is left of the Cuban crop.

Senator NORRIS. You still have not answered my question. But if you do not want to answer it, we will just let it go. I have asked the question three or four times.

I do not know whether they could buy the Cuban crop; maybe they can not get any of it. And it is true they took it up with the President and that he did not do anything, and they lost the opportunity to get it right then. It seems to me there is where the President made a mistake; he ought to have gone on with their suggestion. But he did not, and now it is up to us; and I wanted to know whether the Louisiana sugar growers, as represented by you, objected to the purchase of any part of the Cuban crop we can get, and if you do object, why?

Mr. SPITZFADDEN. If you will pardon me, Senator, I just wanted to get that portion of your remark correct, as to representing the Louisiana growers.

Senator NORRIS. All right, strike that out, if that is not right.

Mr. SPITZFADEN. Specifically——

Senator NORRIS. That is not involved in the question.

Mr. SPITZFADEN. Specifically, the Louisiana Sugar and Rice Exchange represents all of the interests.

Senator MCNARY. It represents the brokers particularly, does it not?

Mr. SPITZFADEN. Not necessarily, Senator. We have members of the exchange who are sugar planters.

Senator NORRIS. Would you have objected if, when the board took it up with the President some time ago, they had bought it then, you would have not had any objection then?

Mr. SPITZFADEN. I do not suppose we would have had.

Senator NORRIS. What arrangements have you made since then in the way of sugar production that makes your position any different?

Mr. SPITZFADEN. Well, definitely, I can only reply, Senator, what is generally understood in the trade as to some contracts being made. Just what they amount to, I really could not say.

Senator MCNARY. Is there any further statement you desire to make?

Mr. SPITZFADEN. No.

Senator MCNARY. Thank you for your statement.

Mr. SPITZFADEN. I am much obliged to you, Senator.

Senator WADSWORTH. I am handed a note here by a gentleman somewhat in correction of the statement that was made just a moment ago relating to the per capita consumption of sugar in England and in the United States—Mr. Ballou. He called my attention to the fact that in England it is 52 pounds per capita, which includes what goes into manufactures, and that our 2 to 4 pounds per month per capita consumption was merely table consumption, and that the two are not comparable. As a matter of fact, the United States' consumption for 1918 was 73 pounds per capita.

Senator MCNARY. Those are the figures I have.

Senator WADSWORTH. Which is considerably larger than the British.

Senator McNARY. I am at this time going to place in the record the statement made by the United States Sugar Equalization Board, from October 14, 1919.

(The statement referred to is here printed in full in the record, as follows:)

THE SUGAR SITUATION.

In view of the current excitement over the sugar situation it is important to look at the facts:

1. The figures now available for September show that there has been delivered into domestic consumption in the period January-September, 1919, the enormous total of 3,263,000 long tons refined sugar as against 2,661,000 tons in the same period of 1918, an increase of 600,000 tons, or 1,344,000,000 pounds—a 22.5 per cent increase. This is entirely independent of our exports.

2. The prewar consumption for this period is about 2,900,000 tons, so that this year we have consumed over 350,000 tons more than normal, an increase of 12 per cent.

3. This means that there has been delivered into domestic consumption in the first nine months almost as much sugar as in the whole of 1918 (the 1918 consumption was 3,400,000 tons, while in the first nine months of this year it was 3,263,000 tons).

4. The per capita consumption in these nine months has been 70 pounds, as against 72 pounds for the whole year of 1918 and 83 pounds for the whole of 1917.

5. Figures do not always express the actual fact; it is best to use comparisons. The consumption for the whole year of 1919 (which will probably be 4,100,000 long tons) will be over one-half of the world's total exportable surplus for 1919 and over one-quarter of the total world's sugar production. This statement expresses the situation better than figures can express it.

6. In spite of the shortage, there remains sufficient sugar to supply to the domestic trade about 400,000 tons of refined cane sugar, 75,000 tons of Louisiana sugars, and 400,000 tons of beet sugars—all this for the last quarter of 1919, a total of 875,000 tons. This amount added to what has already been distributed will give a consumption for 1919 of 4,100,000 long tons, as against 3,400,000 long tons in 1918 and a maximum of 3,800,000 tons in 1915. There remains, therefore, 100,000 tons more sugar for distribution in the last quarter of 1919 than in 1918.

7. Conclusion: In spite of a world stortage of neraly 2,000,000 tons in the world production, as compared to normal, the American people have been supplied with one-quarter of the world's sugar production and one-half of the world's exportable surplus, while all the rest of the world, including our former Allies, France, England, and Italy, are all on short rations clamoring for sugar.

All this sugar has been supplied at a wholesale price of 8.82 cents per pound and the retail price of about 11–12 cents per pound, while French people pay 16.8 cents wholesale, England 12½ cents, and other countries much higher prices.

American people want even more sugar than they have received. The question arises as to whether we have the moral right to take away out of the world's "sugar cake" more than we have already taken, even if more sugars were available.

UNITED STATES SUGAR EQUALIZATION BOARD (INC.).
STATISTICAL DIVISION, *October 14, 1919.*

STATEMENT OF SUGAR DISTRIBUTING COMMITTEE.

NEW YORK, *October 14, 1919.*

In continuing the shipments west of Pittsburgh and Buffalo until October 15 eastern refiners have stayed in the western territory two weeks longer than was done in 1917–18. On account of the longshoremen's strike in New York Harbor, refiners here are not operating, and before they can resume and get shipments west beets certainly should be in free supply. In discontinuing shipments west of Pittsburgh and Buffalo refiners acted under positive in-

structions from the United States Food Administration, who were forced to take this position because the East has a scant and the West an ample supply.

Roughly there will be approximately 800,000 tons of beet sugar produced in this country before January 1, and there is a population of about 50,000,000 in the territory that it must supply. Against this we have approximately only 250,000 tons of can sugar available between now and January 1, with a population of 33,000,000 in the territory to be supplied. This means that with a supply of beet sugar more than three times greater than that of the eastern cane refiners the beet sugar interests will cover between now and January 1 a territory with only 50 per cent greater population. From now on until January 1 sugar will be distributed in the East on approximately the same basis as was in effect under the restrictions imposed in September and October, 1918. Diminished supplies are the result of heavy consumption in the United States since January 1.

Senator McNARY. I understand Mr. Bernhardt, of the Equalization Board, has a few words to say.

STATEMENT OF MR. JOSHUA BERNHARDT, STATISTICIAN SUGAR EQUALIZATION BOARD, NEW YORK.

Mr. BERNHARDT. The gentleman who testified compared the coffee crop with the sugar crop. As statistician of the Sugar Equalization Board I would like to state that there is a great deal of difference between our coffee crop and the sugar crop, because the sugar crop shows a world's shortage, and has shown a world's shortage ever since the war began, when the Germans invaded the French territory and destroyed the sugar factories. The German production was also reduced owing to the necessity of home production of cereals, and there were similar results in other countries. Accordingly while the sugar crop has constantly been reduced in the world, the coffee crop, I believe, has not been reduced in that same way. While there may have been a decline one year as compared with another, there has not been a steady decline in the world's production of coffee. Moreover, it is interesting to contrast what happened in coffee and sugar at the beginning of this year: After the armistice was signed, the price of coffee, as everybody knows, soared to a high level; there was a great deal of speculation in the coffee market, and no one knew what was going to happen in the coffee market.

In sugar, at the beginning of this year, and up to the present time there has been a stabilized price. Everybody knew what the price was, and there was no speculation. The retail price of sugar was kept down during the first months of this year and until the present time; and on the other hand, coffee prices soared to unprecedented levels. That, I think, summarizes the difference between the coffee and sugar experience.

Another point which might be brought up is the particular peculiarity of sugar. There is no commodity that we consume in the United States, I take it, that is like sugar. Half of the world's production before the war was beet and half cane. That was cut into by the war so that we now have about a quarter of the world's normal beet-sugar production, and that can not be restored until all Europe is restored to normal.

Senator WADSWORTH. You say we have about a quarter of the normal beet sugar production?

Mr. BERNHARDT. No; I should say half of the beet or a quarter of the world's production of beet and cane.

Now, the cane production has increased, but the increase is mainly in our hemisphere, so that while we have available supplies for this country, if we wish to be selfish and consume the whole sugar supply, yet in order to meet the demand of the world for some time, there is going to be a tremendous drain upon our supply.

Senator McNARY. The committee will now listen to Mr. Pharr. Give your full name, occupation, and state who you represent to the stenographer.

STATEMENT OF MR. E. A. PHARR, SUGAR PLANTER AND MANUFACTURER, MORGAN CITY, LA.

Mr. PHARR. My name is E. A. Pharr, and I am a sugar planter and manufacturer at Morgan City, La.

Senator McNARY. You may go ahead and make such statements as you desire.

Mr. PHARR. Mr. Chairman, my conferees here desire that I make it clear in the record at this time that the gentleman from Louisiana, Mr. Spitzfaden, who testified a few moments ago, represents the sugar exchange or the sugar brokers, and not the sugar producers of Louisiana. That is the only statement I wish to make.

Senator McNARY. Can you speak for the producers to the extent of saying whether they are favorable to legislation of any kind which might look toward the acquirement of the sugar crop of 1920?

Mr. PHARR. I can only say in that connection that the Louisiana producer is confronted this year with a very great problem, in that he has by Government estimate something less than 50 per cent of a crop, a crop, too, that has been produced per acre at a very considerably higher price than any preceding crop. That being the case, we have spent more per acre than heretofore and have less than half a crop per acre, it would seem a logical conclusion that a price necessary to get us out whole would be at least twice that of last year, or approching such a price as twice the price of last year.

Senator McNARY. What did you receive last year?

Mr. PHARR. Nine cents, less 2 for plantation granulated.

Senator McNARY. At the refinery?

Mr. PHARR. No; in New Orleans.

Senator McNARY. That was refined sugar?

Mr. PHARR. That was plantation refined sugar, and a scale below that price for other plantation grades, which is of record.

Senator McNARY. What did the producer receive per hundred or per pound for a starter?

Mr. PHARR. I speak now as a producer and of the producer.

Senator McNARY. The producer did not receive 9 cents, less 2 cents, for his raw product?

Mr. PHARR. Well, in Louisiana, where the producers—and that is the price that he received—in some cases he is both a planter and a manufacturer of cane sugar.

Senator McNARY. Then you would want twice that, which would be practically 18 cents, this year?

Mr. PHARR. Senator, I did not make that statement quite, but I made a statement which I think will stand the test of logic, at least a statement that was calculated to set you thinking as to the problem

that confronts the Louisiana sugar grower this year. We are not asking for double the price, but you are forced to the conclusion, if you accept our statement, that the problem is such a grave one that the answer to your question is rather difficult.

The CHAIRMAN. If your production should increase, of course, that would make considerable difference, would it not? I refer to the yield per acre of cane.

Mr. PHARR. The yield per acre is already made. Some of the crop is now being harvested, I believe, and the bulk of it will be entirely harvested by the 10th to 15th of December. We have an amazingly short crop. I have never seen anything approaching the disaster from the standpoint of cane production in Louisiana that exists to-day, and what shall be done or what should be done in such a case I frankly confess I am at sea.

The CHAIRMAN. What were the causes of your short crop this year?

Mr. PHARR. I think that the answer to that is one word—rain. On my plantation we have an official rain gauge, and for the 12 months ending July 1 the rainfall was 94.46 inches, and although on most sugar plantations, or a great many, we pump the rainfall to get it away, we could pump the water out of our ditches and out of our canals, yet the method of cultivation in the early spring is flat; it must of necessity be so. And we had such excessive rains and such constant rains that we were unable to do what the farmer calls "plow out;" that is, cut a ridge to the cane and a middle with some depth, which would get the water away; and I am quite sure that I am merely within the bounds of truth when I tell you that the bulk of the Louisiana acreage lay flat without the opportunity of getting it into the ridge shape until July.

The CHAIRMAN. But the truth of the matter is, that unfortunately the Louisiana sugar manufacturer is also the producer? Do you think it is possible to enact legislation which would at all times make it possible for the producer to profit? Do you not think that in the very nature of production, not only with reference to sugar but everything else—food products of all kinds—the farmer must battle with the elements of nature as well as with the price and the markets?

Mr. PHARR. Senator Gronna, I am glad that you asked that question. Where there are artificial barriers, that is the procedure since time immemorial. If the elements had interfered with the production of a crop usually there was a law of supply and demand which would regulate the price. Now, I think we are all agreed that if there were no artificial barriers this year—mark you, I am not saying that there should be—but if there were none this year, in all probability the Louisiana sugar planter would get a price which would bring him out whole.

The CHAIRMAN. Yes. I can readily see that.

Mr. PHARR. Now, then, the question is, Shall the Louisiana planter under those conditions, when the normal working of supply and demand would save him from the disaster, suggest a method of control which would cause him certainly to meet disaster?

I am trying now to answer the chairman's question—Are the producers of Louisiana in favor of control? They are not; and I am sure that under the circumstances you do not expect them to be.

The CHAIRMAN. The policy of the administration during the last few years has been for control, has it not? We have not heard you people of Louisiana complain very much when the industries of other sections were under control.

Mr. PHARR. Well, Senator, we have been very restive under control and we have been under control in such a manner that we thought was undemocratic.

The CHAIRMAN. We in the Northwest—if you will pardon me—have been restive, but you are simply getting a dose of your own medicine.

Mr. PHARR. Not our "medicine," Senator. It is not the medicine that we would have prescribed at all. The Louisiana sugar planter, like the producer elsewhere of sugar, apparently has been singled out, and he has had his commodity regulated down to a price which theoretically has shown him a profit. Now, if you will bear with me, I have the honor to serve on the committee for the past two years which has discussed with the Food Administration the sugar price, and I recall that Mr. Rolph's statement was: "Gentlemen, we are going to do away with the law of supply and demand." That shocked me a little bit.

The CHAIRMAN. Who made that statement?

Mr. PHARR. That was Mr. Rolph, Chief of the Sugar Division of the Food Administration.

The CHAIRMAN. Was that generally approved by the Food Administration?

Mr. PHARR. It was; and he said, "Now, bring us your records. Bring us your cost sheets, and we are going to build a price for sugar based upon your cost plus what we deem a fair profit." We brought those cost sheets and laid them before the Food Administration last year, and it was upon those cost sheets that the price of 9 cents for granulated was based, in part.

The CHAIRMAN. For 1919?

Mr. PHARR. That was for 1919. We went into a grinding season——

The CHAIRMAN. If you will pardon me, but your crop was made at that time?

Mr. PHARR. Our crop was made. We went into a grinding season that we had calculated would be normal, in fixing this cost sheet for Mr. Rolph, and we had rain from the first day of grinding, or prior to that, almost continuously throughout the grinding season; and we were four months last year taking off the crop, and the cost was double that of any previous year.

The CHAIRMAN. What was the increase in cost with reference to that of manufacture?

Mr. PHARR. I have reference now, when I say the "cost of grinding," both to the farmer and to the manufacturer.

The CHAIRMAN. Is it not a fact that if you had not been a producer but simply a manufacturer you would have been able to make money instead of losing money?

Mr. PHARR. No, Senator. I can answer you positively on that question; because the continuous rains not only increased the cost of the farmer's delivery but it delayed the manufacturer, who must wait from day to day upon delayed supplies, due to the bad weather;

and it carried his manufacturing period over double or nearly double the usual time limit.

The CHAIRMAN. But the greatest loss came from the production part of your industry and not from the manufacturing part of it, did it not?

Mr. PHARR. I think not, Senator. I think that I can say, being both a producer of cane and a manufacturer of sugar, from my records, with which I am reasonably familiar, that the increase of cost was about the same in each case, both to the producer of cane and to the producer of sugar. The two are almost inseparable. There are a number of factors which do not own the land and produce the cane, but there are many who do.

The CHAIRMAN. Let me see if I understand you. Are you making a comparison of the 1919 crop with the 1920 crop?

Mr. PHARR. I am trying to make this clear, that we were over here to Washington and furnished our cost sheets——

The CHAIRMAN (interposing). I do not think you understand me. You are making the statement——

Mr. PHARR. Senator, if you will pardon me, I want to get this in the record, that our costs, after a price was determined, hypothecated upon what they should be, are costs doubled, and consequently last year's profit, which was expected to be a certain amount, was very much curtailed and in some cases entirely offset.

The CHAIRMAN. I do not wish to delay these hearings, but I think it is very important. As I understood your statement, it was in effect this, that the increase in cost, let us say, per ton of sugar now was about the same, both from the productive end and the manufacturing end?

Mr. PHARR. Yes.

The CHAIRMAN. Then, you make a comparison with the crop of 1919 and 1920. Are you simply basing that upon tonnage?

Mr. PHARR. I am simply making this statement, that last year the cost of production or cost of harvest and production of sugar was about double over the normal, and our price of 9 cents was based upon a cost sheet of normal, and therefore the profit which we ought to have received last year, as I have stated before, was very much curtailed and in some cases entirely offset and became a loss.

Now, then, since I have been called to the witness chair, and I did not expect to be, I simply wish to make this very clear, that any price that will bring Louisiana out whole this year must of necessity be almost a double price, because we have a half crop, and we are not asking information. We believe this, Senator: That with no legislation whatsoever, with no barriers, being untrammeled and free, like the cotton man or various sundry other producers of commodities, if we are left entirely alone, we will, by the action of that law of supply and demand, get a sufficient price to bring us out whole.

Senator MCNARY. I think you have made that clear in the early part of your testimony, Mr. Pharr. Is there anything further, Mr. Pharr?

Mr. PHARR. There is nothing further I desire to say.

Senator MCNARY. Mr. Spreckels, will you take the stand, please?

STATEMENT OF MR. CLAUS A. SPRECKELS, PRESIDENT FEDERAL SUGAR REFINING CO., 91 WALL STREET, NEW YORK CITY.

Senator McNARY. Mr. Spreckels, the Committee on Agriculture and Forestry has under consideration a bill, 3191, authorizing the Sugar Equalization Board to acquire sugar of the 1920 crop. You intimated to the chairman that you desired to be heard, and offer some testimony, and that being so we are very happy to have you proceed in your own way to make such statement and offer such data as you desire.

Mr. SPRECKELS. It is my judgment that the control of the sugar business for 1920 will be a mistake. We have been under control for two years past now, and I think it is obvious that it has not corrected the evil, namely, the shortage.

The question was asked a short time ago whether there was an actual shortage in this country. I make the statement that there is no shortage, but that the sugar is merely mislocated. There is sufficient sugar to go around between now and the 1st of January if those sugars are brought from the West to the East. The same thing has happened this year that has happened in previous years, the shortage has occurred in the East and not in the West.

Senator WADSWORTH. How does that come about, Mr. Spreckels?

Mr. SPRECKELS. On account of being mislocated. Sugars were shipped away from here to foreign countries. The beet sugars on the west coast were hoarded. It is my understanding that under the food control act, the Food Administrator had the power to force the release of those sugars. Instead of doing that, however, the Equilization Board, the agency of the Food Administration, purchased those sugars at a price very much higher than was permitted on the east coast.

Senator WADSWORTH. What did they do with them when they purchased them?

Mr. SPRECKELS. They brought them on to Chicago, some of them. There is still sufficient sugar between the Louisiana cane sugar and the beet sugar of this country, approximately 1,000,000 tons available before the 1st of January, that is, all that is in stock.

Senator McNARY. Is that of the crop of 1920?

Mr. SPRECKELS. Nineteen hundred and nineteen, all produced this year between now and the 1st of January. I am not averse to the control of sugar, if by reason of that the price of sugar to the consumer were lowered. The Food Administration, or the Equilization Board, its agency, last year made a contract for the entire Cuban crop. Immediately thereafter they sold one-third of that crop to the Royal Commission of the British Government at cost; the remaining two-thirds were sent on to the United States and the Food Administration exacted a profit of $8 a ton, and we have the choice of either paying $8 a ton profit on their transaction, which is approximately $22,000,000, or going out of business.

The CHAIRMAN. Of course, you had to pass that on to the consumer?

Mr. SPRECKELS. We had to pass that on to the consumer. Therefore, the consumer paid $22,000,000 more. We hear much said about the cost of sugar under control having gone down and held its position; on the contrary, it has gone up.

To-day the Food Administration is buying its beet sugar at 10 cents a pound; in fact, the Attorney General has just issued an order that anything above 10 cents—recognizing that 10 cents is a fair price.

Senator WADSWORTH. To the producer?

Mr. SPRECKELS. To the producer, resulting in excitement in Cuba to-day that the planters in Cuba have an idea of getting a tremendous price for their next crop. In my judgment, if matters were left to the supply and demand we would soon get down to a proper basis.

Senator RANSDELL. When would that be, Mr. Spreckels.

Mr. SPRECKELS. I could not tell you.

Senator MCNARY. Do you think sugar would have been cheaper in the fall and summer if we had had no control?

Mr. SPRECKELS. I think so.

Senator MCNARY. Do you think the sugar for 1920 would be lower if there were no control or legislation at all?

Mr. SPRECKELS. I think the future price would be lower.

Senator MCNARY. You are conscious of the fact that there is a world shortage of approximately 2,000,000 tons or more than that, I presume?

Mr. SPRECKELS. But the production, however, is also short. Europe to-day is rationing its sugars. It has not the money to pay for sugar, and of necessity they will reduce the consumption.

Senator MCNARY. Would you be willing to speculate on what you think the price of sugar will be during the next spring of 1920, if Congress fails to place any legislation in the hands of the Sugar Equalization Board looking to the control of the sugar crop?

Mr. SPRECKELS. Yes; I would speculate and say it would reduce the cost to the consumer from 40 to 50 or 60 millions of dollars, if there were no control next year.

Senator MCNARY. Assuming, as we know, that the price now is about 10 cents, is it not?

Mr. SPRECKELS. For beet sugars?

Senator MCNARY. Yes.

Mr. SPRECKELS. For cane sugars a price of 9 cents, less 2.

Senator MCNARY. You think the price unrestricted and uncontrolled for 1920 would be below that figure?

Mr. SPRECKELS. I do. I am speaking now of the average price.

Senator MCNARY. You think the sugar that is now unsold of the crop of 1920 in Cuba would move to America rather than to foreign countries if the United States does not acquire the crop in toto?

Mr. SPRECKELS. I do.

Senator RANSDELL. How do you arrive at that?

Mr. SPRECKELS. I reason that the consumption in Europe would be less rather than more, and when the beet plantings which were planted in April in Europe, with these tremendous prices that are now prevailing, with exchange so low, will produce a greater quantity of sugar for the next October a year from now, and that cost will be discounted in the markets of the world.

Senator MCNARY. That would be reflected——

Mr. SPRECKELS (interposing). It would be reflected.

Senator McNARY. In the 1920 crop during the spring of 1920.

Mr. SPRECKELS. No; it would come in in October of next year, 1920, but in anticipation of a larger crop in Europe, the cane producers will not actually give away on their price.

Senator McNARY. Will not anticipation of a bumper crop, as it is called in October, 1920, cause a very much greater consumption by the European countries?

Mr. SPRECKELS. I do not think so.

Senator McNARY. Why? I do not get your point, Mr. Spreckels. Do you insist that the consumption in foreign countries will be less?

Mr. SPRECKELS. I say if it be under control it will be less, the exchange operating against them; the cost in Europe would be so high as to be almost prohibitive.

Senator McNARY. In the face, even, of a large and abundant crop in October, 1920?

Mr. SPRECKELS. The crop would not be available until October, 1920, but as a commercial proposition, if the producers in Cuba, recognizing a large crop coming on, would give way on their price because they know in October, before they can market their entire product, the price will have to come down.

Senator McNARY. Will not the giving away of their price cheapen the price and cause therefore a larger amount of sugar throughout the world to be consumed; if it operates one way, it must certainly another?

Mr. SPRECKELS. Not until 1921. In other words, you think the lowering of the price of sugar stimulates consumption?

Senator McNARY. That is always the point, and it is an economic axiom you can not get away from.

Mr. SPRECKELS. Very true, but I do not think it will reach that point where the price would have such a bearing on consumption.

Senator RANSDELL. Is it not at that point right now? Is not sugar the cheapest of all foods right now, and has it not been for the last year or so? What other commodity of human consumption is anything like sugar?

Mr. SPRECKELS. I could not compare that.

Senator RANSDELL. Most of us have the impression that sugar is cheaper than the other commodities. It was so testified before our committee several days ago.

Mr. SPRECKELS. Perhaps so.

Senator RANSDELL. We are certainly consuming a great deal more per capita now, and I was wondering whether the low price had anything to do with it?

Mr. SPRECKELS. I am not prepared to say that it has actually gone into consumption. I do not think anybody is prepared to state that. Only a few months ago the Food Administration issued a request on the ground that there might be a shortage of sugar at the close of this year, which behooved everybody to take in a few barrels of sugar in their own household. Many of them have done so, and they have now a surplus. Others who want a pound, who were not able to take in two or three barrels of sugar, because they had not the money to pay for it, are now waiting to get their pound of sugar.

Senator McNARY. I think hoarding has been an element in the very increased consumption so far as shown by the figures.

Mr. SPRECKELS. The fact of the matter is that there is raw sugar imported into New York to-day which is available, several thousands of tons held on speculation which should be bought.

Senator MCNARY. Who holds those sugars; who controls them?

Mr. SPRECKELS. They are controlled by brokers in New York, sugar factors.

Senator MCNARY. Did they get it from the Sugar Equalization Board?

Mr. SPRECKELS. No; Philippine sugars imported from the Philippine Islands lying at the port of New York in warehouses, which could be released to the refineries if the Equalization Board were there to equalize, and if they paid the price they can get it; if they paid the price on the west coast it would release those sugars, which would be something.

Senator MCNARY. Are there any questions desired by the committee to be asked Mr. Spreckels?

The CHAIRMAN. I want to ask Mr. Spreckels a question: What do you think would have been the price of sugar if it had been left to the law of supply and demand, Mr. Spreckels, I mean the price at the present time?

Mr. SPRECKELS. That is a difficult thing to state, because that is merely a guess at best. The fact is that we were unable to import in 1919, this present year, any sugars, and we were forbidden to buy any sugars except through the Sugar Equalization Board.

The CHAIRMAN. In the absence of this law is what I mean would sugar have been higher to the consumer or would it have been lower?

Mr. SPRECKELS. The present law?

The CHAIRMAN. Yes.

Mr. SPRECKELS. In my judgment it would have been lower.

Senator KENDRICK. Mr. Spreckels, do you happen to know whether your estimate of 1,000,000 tons available as a supply now in this country at the present time agrees with the estimate made by the Food Control Board?

Mr. SPRECKELS. I do not know what their estimate is. The best crop is about 100,000 tons, and the Louisiana crop is about 125,000, and there is 250,000 tons of cane available, making about 1,100,000 tons that will be produced.

The CHAIRMAN. Then you refer to the crop that is to be produced in 1919?

Mr. SPRECKELS. Yes, sir. It is being produced now.

Mr. GLASGOW. It is the new crop you are referring to?

Mr. SPRECKELS. They are actively producing it at the present moment.

Mr. GLASGOW. You are referring to the new crop?

Mr. SPRECKELS. The present crop.

Mr. GLASGOW. Are you referring to the new crop of sugar or to the crop which is known as the 1919 crop?

Mr. SPRECKELS. No; I am referring to the sugar of 1919; not 1919–20; in other words, they have started to produce in August and are still producing, and will finish that crop before the 1st of January, 1920. Therefore it is purely the 1919 crop.

Mr. GLASGOW. The regulation of the Food Administration over the beet crop and the Louisiana cane crop is spoken of in the contract as

the 1918–19 crop. I understand your estimate of tonnage to cover not only that 1918–19 crop statement in that contract, but the crop which would be on a like period for 1919–20. Is that correct?

Mr. SPRECKELS. I think the Food Administration has controlled in a way by refusing permission to hoard those sugars; therefore they have control.

Mr. GLASGOW. Of course I think the committee understands that part we refer to. I do not think it necessary to go further with that question.

I understand you, in your estimate of 1,000,000 tons, to refer not only to the crop covered by the contract with the Louisiana and beet producers, designated in that contract as the 1918–19 crop, but also to the crop or a part of it that follows that crop. Is that correct?

Mr. SPRECKELS. I must read the contract to ascertain what it says. It may have been referred to in the contract, but it is all produced in 1918, the crop of 1918–19. There is no such thing as 1918–19 crop of beet sugar; there is no such thing in Louisiana.

Mr. GLASGOW. Oh, yes, there is.

Mr. SPRECKELS. There is very little left over.

Mr. GLASGOW. The Department of Agriculture speaks of it as the 1918–19 crop; the contract which we had with the beet producers and with the Louisiana producers followed the Agricultural Department's designation.

Mr. SPRECKELS. Very good.

Mr. GLASGOW. That is the crop of 1918–19. As I understand you, when you spoke of 1,000,000 tons you were speaking of at least a part of that which is produced after what is called 1918–19 crop; is that correct?

Mr. SPRECKELS. A very, very small percentage.

Mr. GLASGOW. Where is the sugar of the 1918–19 crop in the United States making a million tons?

Mr. SPRECKELS. 1919—there is no such thing as 1918–19 crop.

Mr. GLASGOW. Where is any substantial part of the million tons in the United States of the 1918–19 crop?

Mr. SPRECKELS. In the West. I am speaking of the present crop now being produced. I think I misunderstood you, Judge. I am speaking of the crop which is being produced now.

Mr. GLASGOW. Then, you mean that the million tons that you refer to is made up largely of the new crop which is now being put into the market; is that it?

Mr. SPRECKELS. Yes, sir; that is what I mean.

Mr. GLASGOW. You spoke just now of the Sugar Equalization Board encouraging people to buy a barrel of sugar?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. That was at a time, Mr. Spreckels, when apparently the sugar was backing up in the refineries, was it not?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. It was at a time immediately preceding the preserving period, was it not?

Mr. SPRECKELS. Just about that time.

Mr. GLASGOW. And at a time when nobody contemplated a sugar shortage in the United States; is not that so?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. Now, another thing you spoke of: You said that the Sugar Equalization Board had been buying sugar in the West. You referred to beet sugar, did you not?

Mr. SPRECKELS. Yes, sir; I did.

Mr. GLASGOW. And sending it East?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. Where did they send it?

Mr. SPRECKELS. Chicago.

Mr. GLASGOW. What was the reason of it; the shortage at Chicago, was it not?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. And they bought the beet sugar at 9 cents in California—9 or 9½ cents in California or the West, and shipped it to Chicago, to the place where the shortage occurred and absorbed the freight rate on it so as to maintain the equal price of 9 cents, did they not?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. What is there to criticize in that?

Mr. SPRECKELS. The criticism is that the beet people should have been forced to sell it without the Equalization Board buying it.

Mr. GLASGOW. That is, sell it to whom?

Mr. SPRECKELS. Sell it to the dealers, the same as Sugar Equalization Board.

Mr. GLASGOW. At what price?

Mr. SPRECKELS. At the price prevailing for cane sugar.

Mr. GLASGOW. At 9 cents?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. Your contention is that while you got 9 cents on the eastern seaboard that the beet sugar people should not get 9 cents but should get 9 cents less freight?

Mr. SPRECKELS. That is my contention.

Mr. GLASGOW. You speak of the West having hoarded sugar; what do you mean by that?

Mr. SPRECKELS. The very fact that they have the sugar to sell to the Equalization Board shows that they had hoarded it.

Mr. GLASGOW. Was not that the new crop of sugar?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. Has there been any hoarding of the new crop of beet sugar?

Mr. SPRECKELS. There must have of necessity been, otherwise you would not have been able to buy it.

Mr. GLASGOW. When did the new crop of beet sugar come in?

Mr. SPRECKELS. In California, in August.

Mr. GLASGOW. And when was this bought?

Mr. SPRECKELS. At that time.

Mr. GLASGOW. In August?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. Just as soon as it came through the refineries it was bought by the Equalization Board?

Mr. SPRECKELS. Yes, sir.

Mr. GLASGOW. How do you make that out hoarding?

Mr. SPRECKELS. If the Equalization Board had not bought it, they would have sold it direct themselves.

Mr. GLASGOW. Where at?

Mr. SPRECKELS. Chicago, where you sold yours.

Mr. GLASGOW. What was the advantage, then, in their selling it any more than the Equalization Board?

Mr. SPRECKELS. I was told—I asked that question and I was told by the Equalization Board that they would not release their sugar unless they did sell it.

Mr. GLASGOW. Would not release whose sugar?

Mr. SPRECKELS. Would not release their sugar.

Mr. GLASGOW. The new beet crop?

Mr. SPRECKELS. The sugar which they bought—that the producers would not produce it, but would only sell it at that price.

Mr. GLASGOW. Then, as I understand you, your contention is that if the Sugar Equalization Board had not gone in and bought it that there would have been hoarding by the producers?

Mr. SPRECKELS. Not at all. I think they would have been hoarding, and if the Food Administration had done its duty it would have made them release those sugars.

Mr. GLASGOW. For the new crop, although we had no contract with them for the new crop, although Congress had not determined we should contract with them.

Mr. SPRECKELS. Suppose it was sold.

Mr. GLASGOW. You say there ought not to be any control over sugar of next year, is that right?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. And now you are complaining?

Mr. SPRECKELS. Unless——

Mr. GLASGOW (interposing). Wait a moment. And now you are complaining that we do not control the beet sugar of California, the new crop, for which we had no contract with them. Is that your attitude here?

Mr. SPRECKELS. Will you repeat that question?

Mr. GLASGOW. You say there ought not to be any control over sugar?

Mr. SPRECKELS. Unless it will bring a lower price to the consumers. I say I am perfectly willing for a control if they will put the price down instead of up, but the Equalization Board's efforts have been to put it up instead of down.

Mr. GLASGOW. The result has been to put it up, has it?

Mr. SPRECKELS. It has, and the American Republic have to pay more for their sugar than the British Government.

Mr. GLASGOW. The British Government bought the Cuban sugars at exactly the price we did.

Mr. SPRECKELS. Exactly, and what did you sell the balance of the sugars for to the American refiners at $8 per ton profit, so we were either forced to go out of business or contract with you?

Mr. GLASGOW. And you voluntarily contracted, did you not?

Mr. SPRECKELS. Under compulsion; yes.

Mr. GLASGOW. What kind of compulsion?

Mr. SPRECKELS. Of being deprived of sugar, in other words, closing down our factories.

Mr. GLASGOW. You took eight month's supply of sugar before you signed the contract, did you not?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. You got sugar from the Equalization Board, although for eight months you were fighting them on the question of whether you would sign the contract or not?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. They did not close you up?

Mr. SPRECKELS. They changed their contract.

Mr. GLASGOW. Changed it in any particular that was essential?

Mr. SPRECKELS. They told us that unless we did sign that contract we would receive no further sugars.

Mr. GLASGOW. And I told you that, did I not?

Mr. SPRECKELS. You did.

Mr. GLASGOW. And at the end of eight months, having promised to sign it, I finally told you if you did not sign it you would get no more sugar, did I not?

Mr. SPRECKELS. I said I would sign it under certain conditions, and those conditions——

Mr. GLASGOW. Just a moment——

Mr. SPRECKELS (interposing). I beg your pardon—and those conditions were not carried out, and you finally did change the contract, and I think there were 22 or 23 different contracts written. You know that. Do not say I would not sign the contract. I said I would sign the contract according to my understanding.

Mr. GLASGOW. And that for eight months you had been running along after telling us you would sign it, and when you did not sign it, and at that time, when you finally agreed to sign it and did sign it, you owed the Equalization Board $1,800,000 for sugar which they had let you have even though you had not signed the contract, did they not?

Mr. SPRECKELS. I do not know we owed it.

Mr. GLASGOW. Is it not a fact that you paid at that time $1,300,000 in cash?

Mr. SPRECKELS. We paid for it when we signed the contract, and the contract is dated back to October 3.

Mr. GLASGOW. You say sugar is going to be lower next year if we do not have control?

Mr. SPRECKELS. I do.

Mr. GLASGOW. You said the cost of refining is going to be lower?

Mr. SPRECKELS. No.

Mr. GLASGOW. That is going to increase, if you can have anything to do with it, is it not?

Mr. SPRECKELS. Depending upon the price of the raw material.

Mr. GLASGOW. Have you not got an application now before the Sugar Board to increase your refining margin from 1.54 by 15 points, and are you not the only refiner in the United States who has filed such an application?

Mr. SPRECKELS. I would like to make a statement now: The reason why, Mr. Glasgow, is because the other refiners are interested in the beet sugars; we are not.

Mr. GLASGOW. All of them?

Mr. SPRECKELS. Let me finish my statement; you can make your statement afterwards. You are deliberately paying the Sugar Trust an exhorbitant price to the most economical, the most successful, and

the cheapest operating plant in the world; you are paying them an exorbitant price. They have an interest in that matter from profits of the beet sugar and throwing it away on the rest. The American Sugar Refining Co. will not deny this statement that they do not expect to make a cent on the refining of sugars between now and the first of the year. It does not require a great mind to know that the costs of materials and labor have gone up since we signed this contract.

Mr. GLASGOW. I do not deny that, sir, but the question is still——

Mr. SPRECKELS (interposing). You say no other refiner wants it?

Mr. GLASGOW. I did not say that.

Mr. SPRECKELS. You said I was the only one.

Mr. GLASGOW. I said you were the only one who made any application.

Mr. SPRECKELS. Naturally, I am the only one, because we can not exist on the margin.

Mr. GLASGOW. Now, Mr. Spreckels, I want to know how you figure out that the price of sugar is coming down if the refining margin is going up, with a world's shortage of sugar and the sugar now being sold from Cuba at 7 cents.

Mr. SPRECKELS. The cost of refining, if the price of raw materials goes down, the cost of refining will also go down, because in the operation of the refiners there is a certain amount of loss and waste, and that waste on 9 cents or on 15 cents makes quite a difference; if it is on 5 cents, the loss may be 50 cents a hundred, and on 10 cents it will be $1 a hundred; that is the difference.

Mr. GLASGOW. And you refer to us as having allowed the trust an exorbitant price for sugar——

Mr. SPRECKELS (interposing). Yes, sir.

Mr. GLASGOW. You mean the American Sugar Refining Co.?

Mr. SPRECKELS. I do.

Mr. GLASGOW. And you mean, then, that that was done by way of allowing the beet-sugar people 9 cents a pound for refining sugar; is that it?

Mr. SPRECKELS. Partly so.

Mr. GLASGOW. What else?

Mr. SPRECKELS. What else?

Mr. GLASGOW. Yes.

Mr. SPRECKELS. The American Sugar Refining Co. is producing a great many grades. You are only restricting the price on one particular grade; that is, granulated sugar.

Mr. GLASGOW. Have you any other grade?

Mr. SPRECKELS. Yes; we have. We make the highest and we make the lowest; that is all we make.

Mr. GLASGOW. We only regulate one of your grades, too; do we not? There is only one grade of yours that is regulated, is there not?

Mr. SPRECKELS. No.

Mr. GLASGOW. The same as the American Sugar Refining Co.?

Mr. SPRECKELS. That is right.

Mr. GLASGOW. You are treated exactly the same way?

Mr. SPRECKELS. Do they regulate the low grade? The low grade is our black strap, which they deliberately have also.

Mr. GLASGOW. But you are treated exactly the same way with other refiners, are you not?

Mr. SPRECKELS. I do not think so. You may allow the American Sugar Refining Co. to sell a lower grade of very much inferior product for the same price that they permit us to sell granulated. There is another grade, which is a better grade, which they permit them to sell at 3 cents a pound higher.

Mr. GLASGOW. What is that?

Mr. SPRECKELS. Domino.

Mr. GLASGOW. Have you got any grades of that kind?

Mr. SPRECKELS. We have not.

Mr. GLASGOW. Have you got any fancy grades?

Mr. SPRECKELS. What do you mean by "fancy grades"?

Mr. GLASGOW. Any that you put up?

Mr. SPRECKELS. It is only a question of refining. Domino sugar is granulated sugar in a different form, and cube sugar powdered is all granulated sugar in a different form. They grind it up or press it, whichever it may be; but the sugar is the same; it is 100 per cent pure sugar.

Mr. GLASGOW. You make what you call a conservation grade?

Mr. SPRECKELS. We do.

Mr. GLASGOW. That is a low grade, is it not?

Mr. SPRECKELS. Yes.

Mr. GEASGOW. Do the American Sugar Refining Co. make any low grades?

Mr. SPRECKELS. I do not think they can.

Mr. GLASGOW. You make a low grade sugar that you sell, perhaps, for a less price than granulated?

Mr. SPRECKELS. We sell it for a less price than granulated.

Mr. GLASGOW. Then you make a sugar you call "rainbow"?

Mr. SPRECKELS. Not yet, but soon.

Mr. GLASGOW. Have you ever made any of it?

Mr. SPRECKELS. Not yet.

Mr. GLASGOW. What is that? Is that as good a sugar as domino?

Mr. SPRECKELS. I tried to tell you that granulated and domino are exactly the same products.

Mr. GLASGOW. Then your rainbow is a little above that?

Mr. SPRECKELS. No, it is not above it, but we are permitted to sell at a higher price the same as domino.

Mr. GLASGOW. And you therefore have a brand that you want to preserve and that is valuable to you, have you not?

Mr. SPRECKELS. It is simply a colored granulated sugar.

Mr. GLASGOW. And you get a higher price for it?

Mr. SPRECKELS. The same as the American Sugar Refining Co. They take a granulated sugar and add a little coloring matter and charge 3 cents a pound more for it.

Mr. GLASGOW. And you take yours and add something and call it "rainbow," and want a bigger price?

Mr. SPRECKELS. We have not made any yet.

Mr. GLASGOW. That is your purpose?

Mr. SPRECKELS. It is our purpose.

Mr. GLASGOW. And it is all right, is it not?

Mr. SPRECKELS. I do not think so; I think it is all wrong.

Mr. GLASGOW. Then you ought not to make it.

Mr. SPRECKELS. I do not think it is right for anybody to make it, but we have to make it for self-protection, not otherwise. But I think it is wrong for the Food Administration to permit it, and I frankly state so.

Mr. GLASGOW. You do think so. Did you ever raise that question with the Food Administration?

Mr. SPRECKELS. I was requested to make the same product as the others make. They said, "Why do you not make it? You can get your 3 cents a pound the same as the others?"

Mr. GLASGOW. It is very much the same as a man making a fancy grade of candy. It is a confection, is it not? Is that the way you look at it?

Mr. SPRECKELS. It is not a confection; it is sugar.

Mr. GLASGOW. Just like candy is sugar?

Mr. SPRECKELS. The sugar you use in your coffee, colored a bit, and say it is sugar.

Mr. GLASGOW. You said something about there being thousands of tons held in New York on speculation?

Mr. SPRECKELS. Yes.

Mr. GLASGOW. And that the board could get it. Where is that sugar?

Mr. SPRECKELS. That sugar? Riondo has got a thousand tons.

Mr. GLASGOW. Where did that come from?

Mr. SPRECKELS. The Philippine Islands.

Mr. GLASGOW. Where is that sugar?

Mr. SPRECKELS. In New York.

Mr. GLASGOW. Do you know where it is?

Mr. SPRECKELS. In what warehouse?

Mr. GLASGOW. Yes.

Mr. SPRECKELS. I do not know.

Mr. GLASGOW. How do you know it is there?

Mr. SPRECKELS. I was told.

Mr. GLASGOW. Who told you?

Mr. SPRECKELS. And another thousand tons——

Mr. GLASGOW (interposing). Let us get that. I want to get that sugar if we can get it.

Mr. SPRECKELS. The broker who sold it to them told us so.

Mr. GLASGOW. Did he tell you where it was?

Mr. SPRECKELS. He told me it was in New York.

Mr. GLASGOW. If you will be kind enough to furnish us with the name of the place where that sugar is, we will see if we can get it.

Mr. SPRECKELS. There is another thousand tons owned by Connell & Co.—they have a thousand.

Mr. GLASGOW. What kind of sugar is that?

Mr. SPRECKELS. Philippine sugar.

Mr. GLASGOW. Where is that held?

Mr. SPRECKELS. In New York, and has been offered for sale to the Equalization Board.

Mr. GLASGOW. At what price?

Mr. SPRECKELS. Two months ago at 5.60, I think, and now they have put the price up on account of the excitement in the sugar market, up to 7½, but the Sugar Equalization Board refused to buy it at their price.

Mr. GLASGOW. It was offered to the Equalization Board at an exorbitant price and the Equalization Board declined to buy it, and required them to put it in the storage to be held so as not to interfere with the equalized price; is not that the fact?

Mr. SPRECKELS. It is not my understanding of it at all. I am told it was offered at 5.60.

Mr. GLASGOW. Where?

Mr. SPRECKELS. In New York. To-day it is offered at 7½.

Mr. GLASGOW. 5.60 in New York?

Mr. SPRECKELS. Yes. To-day they have advanced the price to 7½ cents a pound, and it is still for sale. If there is great scarcity, you can get some sugar there.

Senator MCNARY. I want to ask Mr. Zabriskie, the president of the board, a question: Was this sugar offered to the board at 5.60?

Mr. ZABRISKIE. Not to my knowledge, Mr. Chairman, not at any time was any sugar offered to the board within reason that we would not buy.

The CHAIRMAN. At what price was it offered Mr. Zabriskie?

Mr. ZABRISKIE. I have not any knowledge of this being offered to the board at all.

The CHAIRMAN. You say it was not offered?

Mr. ZABRISKIE. I say that I do not believe that it was offered.

The CHAIRMAN. You ought to know whether it was offered or was not offered.

Mr. GLASGOW. Of course, we can not carry all those things in our heads.

The CHAIRMAN. As one member of the committee I would like very much to have that go into the record, and take your time to furnish it.

Mr. GLASGOW. Certainly, Senator, we will do that. Of course, we can not carry it all in our heads; but we will get it for you.

The CHAIRMAN. We are not here to fight the battles either of the Sugar Trust or Mr. Speckels, nor are we here to fight the battles of the Sugar Equalization Board or of the Food Administration. That is not the purpose of this committee nor of the Senate; and want to know the facts. The American people are interested in this question and they have a right to know, and we are going to know if we can find out, Judge.

Mr. GLASGOW. Mr. Zabriskie says that he has no recollection of any such transaction, but that we will go immediately and ascertain the facts.

The CHAIRMAN. But, if you will pardon me, Mr. Zabriskie has been treated very courteously by this committee.

Mr. GLASGOW. And I think he ought to be.

The CHAIRMAN. He certainly ought to be, but the committee is also entitled to some recognition. He has been invited here at various times, and naturally we would suppose he would have the facts to give to the committee. Would that be unreasonable?

Mr. GLASGOW. Not at all. The only thing I can say, Senator—and I hope I am in accord with you—is that we can not give you the facts because we do not know them this morning, but we will go right back and get everything on the subject and give it to you.

The CHAIRMAN. I want to ask this question, and I want to ask Mr. Zabriskie to put the statement in the record: I want to know if any

such sugar as referred to by Mr. Speckels was offered to the Sugar Equalization Board and at what price. I do not ask that you state it now.

Mr. ZABRISKIE. Senator, we will be very delighted to give you all of the information.

The CHAIRMAN. I am sure you will.

Mr. SPRECKELS. I merely made that statement because that statement was made to me by the parties who have the sugar as late as yesterday afternoon. I do not know; I have not seen the offer—I did not know of it until yesterday afternoon.

Mr. ZABRISKIE. We will get it and give it to you as soon as possible. You are entitled to it.

The CHAIRMAN. And if there was an offer made you will have a statement prepared?

Mr. ZABRISKIE. We will.

Mr. GLASGOW. Not only that, we will give you the reasons if we do not buy it why we do not.

The CHAIRMAN. That is all right.

Senator MCNARY. I want to ask this question, which was touched on by me earlier and by Judge Glasgow later: I am a little surprised at your statement that you think the sugar crop of 1920 will be cheaper than 1919 if the control law is permitted to expire. You think the cost of refining will be increased by 15 points?

Mr. SPRECKELS. I did not say that.

Senator MCNARY. You have made application for that?

Mr. SPRECKELS. I made application at the present price of raw material. We should require a margin of 15 cents more, but if the price of sugar is lowered——

Senator MCNARY (interposing). That is raw sugar?

Mr. SPRECKELS. Raw sugar. The price of refining will also go down.

Senator MCNARY. I appreciate that, but you know, and I know, at least, that the price of sugar will be lowered this year, 1920, which is being sold now—the Cuban crop—for 7½ cents a pound and 2 cents more than we paid last year.

Mr. SPRECKELS. Do you know why?

Senator MCNARY. I am not caring why.

Mr. SPRECKELS. Now because they need that.

Senator MCNARY. The Louisiana sugar crop will never be sold for as low as it was last year by several points; if you do not know that, I do.

Mr. SPRECKELS. I do not know that.

Senator MCNARY. And if you are asking more for refining, how do you say that under any system of control or uncontrol that the crop will be cheaper in 1920?

Mr. SPRECKELS. It is my judgment. I am ready to go on record on that as a sugar manufacturer.

Senator MCNARY. All right.

Mr. SPRECKELS. I have been in the business a good many years, and I do not think I am very far wrong.

Mr. GLASGOW. Mr. Spreckles, you declined at one time to take your quota of the Cuban sugar, did you not? That is true, is it not?

Mr. SPRECKELS. I do not propose to answer the question that way, yes or no, without being permitted to qualify it.

Mr. GLASGOW. You can qualify it; I have no objection. All I want is the facts.

Mr. SPRECKELS. We did not want the sugar the early part of the season, because they requested us to take our proportion of it, but we were unable to operate our refinery on account of the Coal Administration forcing us to take coal from a certain pool coal, and we were not permitted to get coal contracted for.

Mr. GLASGOW. I am not referring to the period of the Fuel Administration at all.

Mr. SPRECKELS. What period are you referring to?

Mr. GLASGOW. I am speaking of this year; along in March and April and May.

Mr. SPRECKELS. March and April—we were hampered at that time by the Coal Administration.

Mr. GLASGOW. And you did not take your quota?

Mr. SPRECKELS. We could not take it, because the fires actually went out under the boilers. The coal was nothing but cobblestones.

Mr. GLASGOW. And the result of that was it backed up the sugar at that time on all the refiners; is not that so?

Mr. SPRECKELS. I do not know if you are aware of it, but I made a suggestion——

Mr. GLASGOW (interposing). Is not that so?

Mr. SPRECKELS. One moment. I made the suggestion and made the request that they bring those sugars up here and store them here instead of down in Cuba, and then if there is any trouble with ships or strikes your sugar is available in this country, and went to the extent—I was requested, could I find a place for it. I went to the place and had surveys made of it and then it was thrown aside.

Mr. GLASGOW. But the fact was that you, whatever reasons you had, were not taking your quota of sugar, whereas the other refiners were?

Mr. SPRECKELS. Because we could not operate on account of the restrictions of the Coal Administration. Of course, we might go in swimming, but Mr. Coal Man was there and he said, "You can not get near the water."

Mr. GLASGOW. Do you know when the Fuel Administration's control of coal ceased?

Mr. SPRECKELS. I can not recall.

Mr. GLASGOW. It was in January, 1919, was it not?

Mr. SPRECKELS. I can not recall. I do not know.

Mr. GLASGOW. I am asking you about a period of four months after that?

Mr. SPRECKELS. You have the record; put it in.

The CHAIRMAN. Do you know, Mr. Spreckels, if any cane sugar is being shipped west of Chicago?

Mr. SPRECKELS. I think not now.

The CHAIRMAN. The West is being supplied by the beet sugars?

Mr. SPECKELS. Yes, sir.

The CHAIRMAN. Altogether?

Mr. SPRECKELS. Yes, sir; and Hawaiian cane.

The CHAIRMAN. I suppose that is true.

Mr. GLASGOW. That is true, Senator. Just one more question: Mr. Spreckels, you spoke of the sugars shipped abroad being re-

sponsible for the troubles here, as I understood you. Do you know how much sugar has been exported from the United States?

Mr. SPRECKELS. Perhaps you know. Perhaps you can tell us without looking it up.

Mr. GLASGOW. I will just give you this: For the first quarter, 13 weeks of this year, January and February and March, there were 29,238 tons exported—I am leaving out the British Royal Commission's sugar, which was refined here on toll and never belonged to us—for April, May, and June, 59,165 tons; for July, August, and September, 65,670 tons; making a total of 154,000 tons exported from the United States up to October 1, 1918. That is practically correct, is it not, outside of the British Commission's sugar, which was sent here, as was explained, and refined on toll?

Mr. SPRECKELS. Probably. When I referred to the export I had in mind exporting sugars direct from Cuba to other countries, the sugars which should have gone from Cuba and owned by the Sugar Equalization Board were sold by Cuba direct.

Mr. GLASGOW. To whom was that sold?

Mr. SPRECKELS. France.

Mr. GLASGOW. About 150,000 tons were sold to France of raw sugar?

Mr. SPRECKELS. Yes, and some to Mexico.

Mr. GLASGOW. That is a very small amount.

Mr. SPRECKELS. If you are making a mountain out of a mole-hill, let us have it all.

Mr. GLASGOW. And that, Mr. Spreckels, was at a period when sugar was accumulating in the United States in large quantity, was it not?

The CHAIRMAN. How much sugar was sent to the Royal Commission?

Mr. GLASGOW. They bought one-third of the crop, and it was 1,369,000 tons, something like that?

The CHAIRMAN. That was not handled by your organization at all?

Mr. GLASGOW. No, sir; we assigned them a third interest in the crop. Now, I am going to say that there were 330,000 tons of the sugar of the Royal Commission, as we explained the other day, that they asked us to refine in this country on a toll, bringing it up from Cuba, putting it into the refinery, and then going across to England, and that was about 330,000 tons of their one-third which was refined here and shipped to England.

Senator MCNARY. Congressman Sanders, you desired to ask Mr. Spreckels a question or two?

Mr. SANDERS. Yes, sir. I have been very much interested Senator, in trying to find out how much of this domino sugar the American refiners made, and I thought maybe Mr. Spreckels could tell us what proportion of the refined sugar was made into domino.

Mr. SPRECKELS. The amount I am unable to state. You can get it better from the secretary of the company who is right here and can tell you.

Senator MCNARY. I think the testimony is that it is about 2 per cent.

Mr. SANDERS. The testimony of the gentleman yesterday was that he handled 2 per cent of domino to 98 per cent granulated, but he does not handle the sugar produced by the American refiners, so his testimony was worthless.

Then I wanted to get this matter straight, too: As I understand from Mr. Spreckels, all this talk that the judge tells us about the rainbow sugar is in futuro. You do not make any rainbow sugar?

Mr. SPRECKELS. That is right.

Mr. GLASGOW. I inquired of the secretary of the American Sugar Refining Co. what that tonnage is—since the hearing—of what they call domino sugar, and he stated to me it was less than 2 per cent of their output.

Senator SMOOT. I do not think there is any question but what that is right.

Mr. SANDERS. If that is true, why can we buy domino in every store, and can not buy granulated?

Senator SMOOT. That is answered very simply—the price. The customer will not buy it if they can get granulated sugar, except in a very few cases.

Mr. SPRECKELS. I would like to make a statement: Mrs. Spreckels last week was in one of the stores buying some provisions, and while she was there two ladies came in, first one and then the other. They wanted to buy some granulated sugar, and they were told they had no granulated, but had domino, if they could take that. That was within her own hearing.

Senator MCNARY. Do you desire to say anything further?

Mr. SPRECKELS. No; I thank you very much.

Senator MCNARY. Senator Smoot is with us. He comes from that part of the country where most of the beets are and he has considered the proposed legislation, and we would be very happy to have him make a statement before the committee, especially in view of the presence of Mr. Zabriskie and Mr. Glasgow.

STATEMENT OF HON. REED SMOOT, SENATOR FROM THE STATE OF UTAH.

Senator SMOOT. Mr. Chairman, I have but a few moments, and therefore I shall have to be very brief in what I say. In the first place I wish it to be understood that I am opposed to any sort of a license system, whether it be of the sugar manufacturer or business of any kind in the United States. Nor do I think it necessary that a license system be adopted in order to control the distribution of sugar in the United States. Sugar, perhaps, is the one commodity that is used in every section of the country. The value of the whole product being the same, or, in other words, sugar is sugar, and there are not four or five or six grades of it, unless the manufactutrer of comparatively small quantities of fancy grades like dominos are considered, which are made for people who desire to use it upon their table for certain purposes, and not because of any more sweetness than the granulated sugar, for it has not.

It has been intimated and virtually charged in the press that the beet sugar manufacturers of the country are going to become the chief profiteers of the country; and included in those statements, I

might say, are the Hawaiian producers and the producers of sugar of the Southern States. I think I am well enough acquainted with the sugar producers to make this statement, that the producers of sugar in this country have no idea, nor would they, nor do they intend to profiteer upon the sugar that has been produced this year.

I am perfectly willing for legislation to be enacted if necessary, although I do not think it is necessary, authorizing the Government of the United States to buy every pound of sugar produced in the United States, in Hawaii, in the Philippines, in Porto Rico, and their proportion of the sugar in Cuba, and I have not any doubt in my mind but that if that sugar is purchased at the price at which it can be sold in all parts of the United States can be controlled absolutely without any license system being put into force. You say, How can that be done? In the first place, I have not a doubt in my mind but what the sugar producers of this country will agree with the officials of this Government as to what the sugar produced in this country is worth, based upon what they paid for beets, what they paid for labor, and the expenses attached to the same. I know, as far as the beet sugar interests are concerned, that they would gladly do it. I have every reason to believe that the cane producers of sugar would do it, and I am almost positive that the producers of sugar in the Hawaiian Islands will do it.

Now, the sugar producers well remember, and perhaps every official of the department that had anything to do with the distribution of sugar in this country last year will remember the understanding that the producer had with Mr. Hoover. For months it looked as if it were impossible to induce the farmer to raise the necessary beets to produce the required quantity of sugar which it seemed the country must have, and at that time, of course, the war had not ceased, and it was distinctly understood that if the price of $10 per ton for beets would not induce the farmer of our Western States to plant beets as against wheat at $2.26 a bushel, then they would be asked to pay more, and the price at which the sugar should be sold was to be based upon the price that they paid for beets this very year. There was no question in the mind of anybody at that time that the increased cost of producing sugar and beets at $10 per ton would justify without being branded as a profiteer at 10 cents a pound for sugar. Why, I have not any doubt in the world but what the beet sugar people of this country will say they are perfectly willing to live up to this understanding, and that every pound of beets produced will be sold to the Government of the United States on the basis of 10 cents. They can distribute it in any way they see fit and at any time and in any quantity.

Another thing I want to say is this, that the people of the zone right where the sugar is produced will not ask any benefits as to the distribution of the sugar. If there is to be a shortage of sugar in the United States those people are willing to abide by the decision of the Government as to its distribution, and they are willing to take whatever shortage that may come to the people of the United States; they are willing to take their proportion equally with any other section of the United States.

If the Government buys this sugar, controls every pound of it, the Government will say to the wholesaler just what it shall be sold at,

first to the wholesaler or the jobber, and the Government can also say just what the sugar shall be sold to the consumer at; and if any merchant violates that understanding or order issued by the original purchaser of that sugar, let it distinctly be understood that hereafter he shall have no more sugar to sell and there will not be any violation of any order issued.

I object, as far as I am concerned, to this endeavor on the part of some to make it appear that the sugar producers of the West are trying to profiteer. Why, I know it is said that the beet sugar people are holding their sugar back from market in order that they may receive 15 or 20 cents a pound for it. There is not a word of truth in that. There are very few of the factories that have been running a week. They are just now getting into the producing of sugar, and that sugar, if the Government of the United States wants it, can have it all, and they can say what sections of this country that sugar is to be shipped to.

So, Mr. Chairman, all the legislation that is necessary, in my opinion, is to make every provision necessary for the Government of the United States to buy the sugar crop.

In the discussion of the question the other day with one or two of the Senators, they said, "How are you going to do about the Cuban crop? You know that has to be refined, that has to be shipped to the refineries in the United States and passed through a process, and how can that be regulated?" I answer, just as easy as any regulation of any kind that was ever undertaken by the Government.

As I remember, the refiners were allowed 1.54 for the refining, and the loss that is necessary in the Cuban sugar. It is not very hard, gentlemen, to know whether that is too much or too little. That can be demonstrated in a day. If anybody will go up here to the books of the refiners and find out what they were paid a year ago for labor and other materials necessary to refine that sugar, and if it is too high let us arrive at a proper price; if it is too low, give them whatever more is necessary. And I have confidence in the refiners of sugar in these United States to believe that they are not going to try to profiteer under the sugar situation as it exists not only in this country, but in the world.

The CHAIRMAN. I know you are in a hurry and do not care to be interrupted——

Senator SMOOT. Yes; I have got to go.

The CHAIRMAN. But my theory is, as one member of the committee, and a Member of the Senate, that unless we give the Government a complete control, that although they might be able to regulate the manufacturer, might it not be very difficult to regulate the prices after it leaves the manufacturer?

Senator SMOOT. Mr. Chairman, it would be quite a different thing if it was anything but sugar, where there were different grades and different prices so that the article would be partly shoddy material as woolen goods or nearly everything else. But, as I said, sugar is sugar, and everybody knows that, and if I were a retail merchant and I knew that there was only one source from which sugar could come and that source was the Government of the United States, and the Government of the United States, the comptroller of the sugar told me that it was to be retailed at such and such a price else I could not

get any more sugar, I know I would not violate the regulation if I wanted to deal in sugar.

I noticed in the paper this morning a statement by Mr. Palmer, in which it is said:

> Palmer in this telegram to the refiners quoted a telegram which the Equalization Board has also sent to the refiners. This message revealed that the beet-sugar manufacturers were failing to sell their product as produced because of uncertainty about the prices.

I had three or four of the beet-sugar people in my office yesterday morning. They told me that what they were waiting for was to find out what the Equalization Board really thought that the sugar ought to be sold for and that as fast as it was produced it could be shipped to any part of the United States. And I resent on the part of Mr. Palmer or of any other man an intimation of a charge that the beet-sugar people are holding back sugar thinking that they are going to get an exorbitant price for it. I wish that every producer in the United States were willing as the producers of sugar to meet a most critical situation, not only as to our country, but as to the whole world; and I want to say, Mr. Chairman and gentlemen of this committee, that I feel perfectly safe in telling you to-day that if you will report out a bill, striking from it all questions of licenses, confine it to the authority of the Government to purchase the sugar and distribute it, you will have no trouble as far as sugar is concerned, and the American people will get it at a fair price. Of course, there is never the profit made upon the handling of sugar, the distribution of it from the refiner to the wholesaler or the jobber, or from the jobber to the retailer, from the retailer to the consumer that is made on other merchandise. There should not be. It is a commodity that every soul must have, and it ought to be sold upon the very smallest margin of profit that it is possible to do, and still maintain the institution and keep the manufacturing plant in perfect running order, and at the same time pay to the farmer who produced the beets or the cane enough to justify him continuing raising those particular products.

I think that this war has demonstrated beyond a question of a doubt that the sugar industry of this country is one of the vitally important industries to the people of the Nation.

Mr. Chairman, I have taken more time than I anticipated.

The CHAIRMAN. May I be pardoned if I ask one question? I look upon you, Senator Smoot, as an authority upon this question. Do you believe that there is a sufficient supply of sugar so that with judicious management of it that the producers of sugar could supply the American people with a reasonable quantity at a reasonable price? It has been intimated that sugar will go to 20 cents.

Senator SMOOT. Why, Senator, if there is no restriction made upon sugar and if foreign countries can come in and buy the Cuban sugar and buy the sugar from the United States in any quantity they desire and we continue to use per capita the amount of sugar we have been consuming the past three months, then without doubt there is not enough sugar to go around, and it would not surprise me at all to see it go to 20 cents. But I say now, Senator, that if all the people who want to prevent that it is the sugar producer. He has got to live; he has got to produce sugar in the future, and he has got to deal with a people who, if they were compelled to pay 20

cents, would never forget it. It would be the most costly money that ever came into the coffers of the sugar-producing interests if such a thing should happen. So there is no danger of it, I should say to the Senator.

Senator McNARY. Upon that statement, it would be your advice for Congress to enact some legislation which would permit the Government to acquire our proportion of the Cuban crop, or such an amount as we want, plus the beet sugar, the cane sugar, the Hawaiian, the Philippine Islands, and Southern States sugar.

Senator SMOOT. Yes.

Mr. GLASGOW. May I be permitted, while Senator Smoot is here, to say one thing in behalf of the Food Administration, and the Equalization Board, for which I am counsel, and I say also in behalf of Mr. Zabriskie who is here, that when the question came up of making the contract for beet sugar, as to the investigation of the cost of beets, we were treated at all times absolutely fairly, and they were in hearty cooperation with us in trying to get at a fair basis, which basis when it was arrived at, so far as I know and so far as the members of that board know, have been absolutely carried out by the beet producers all the way through. And, further, I have not any indication, nor has Mr. Zabriskie, of any desire on the part of the beet producers of the United States not to cooperate fully as they have done heretofore, in any policy which may be adjudged right and proper. I do not want any misunderstanding about that.

Senator McNARY. I certainly want to ask you while Senator Smoot is here a question.

Mr. GLASGOW. Yes, sir.

Senator McNARY. A few days ago you were doubly insistent upon legislation carrying the license provision. You understand Senator Smoot would probably lead the opposition of the Senate.

Mr. GLASGOW. I think if I could have a little while to talk to Senator Smoot—because I have talked with him before—I believe I could indicate to him that it is utterly impossible for the Equalization Board to carry out the purposes for which we would be authorized without the power of control over the refiners and the dealers. I think it is utterly impossible for us to do it. I do not think it is possible to follow the sugar along as the Senator says, as a practical matter, through to the dealers, and if we did it, let me suggest that if we were able to do it, it would be nothing more than we are doing to-day, and the only thing we are doing under a license system.

Senator SMOOT. I have not time to go into the question to-day, but I am perfectly willing to take that up with you. However, I do not think that if the Government of the United States would give notice to the people of the United States that the retail price of sugar should be such and such a figure and that if there was an attempt on the part of any retailer to charge more than that, to report him at once——

Mr. GLASGOW (interposing). Senator, that will take a police system of thousands before we could practically carry it out.

Senator SMOOT. I want to tell you right now that the Government of the United States will not have to employ policemen, because every woman who buys sugar is a policeman.

Mr. GLASGOW. We have tried it under the fair price list, which has not been satisfactory at all. Let me ask one other question; would not your suggestion carry with it the necessity of having money enough to buy all of this sugar?

Senator SMOOT. Not any more than it did a year ago.

Mr. GLASGOW. Under the present system, we buy the sugar; we transfer a certain part of it to the refiners, who finance it.

Senator SMOOT. Yes.

Mr. GLASGOW. Under the system of buying all of the beet sugar and buying of the Louisiana cane sugar, and then buying the Cuban crop or so much of it as we want, I do not quite see my way clear how we could finish it and carry it out. Let me say one other word, I do not want the license system; I am just as opposed to it as you are on every basis, but from practical experience in this matter I do not see anything but failure ahead of this Equalization Board without the powers; and we ask simply that unless we are given the powers that Congress do not put the burden on this board to try to do it.

Senator SMOOT. Judge, if you had 300,000 people to deal with, or if those 300,000 people were producing all sorts of merchandise, it would be quite a different thing. I know that it could not be regulated other than by license. But you have so few people that you can almost count on your fingers those you would deal with, and you have got only one product.

I will simply say, Judge, that I will be glad to talk with you.

Mr. GLASGOW. I do not care to convince the Senator.

Senator SMOOT. I am as convinced of the proposition as I live that this thing can be carried out.

Mr. GLASGOW. With the troubles we have already, do not add to our burdens.

The CHAIRMAN. You may transfer a billion dollars from that fund to you soon. We have no use for it.

Senator MCNARY. The committee will now stand adjourned subject to call of the chairman.

(Thereupon, at 12.40 o'clock, p. m., the committee adjourned to meet at the call of the chairman.)

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